CSCU

# MEETING OF THE AUDIT COMMITTEE

**Tuesday, June 2, 2020 at 10:00 am**
Via WebEx AUDIO ONLY
1-877-668-4493 Call-in toll-free number (US/Canada)
Meeting number (access code): 120 029 5237

## AGENDA

1. Call to Order: Establishment of Quorum
2. 2020 Audit Planning Presentation and Discussion – Grant Thronton
3. Draft FY2019 Financial Statements CT Community Colleges (CCC)
4. Executive Session (if required)
5. Adjournment

Audit Committee Members:
Elease E. Wright, Chair
Aviva D. Budd
JoAnn Ryan

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# Meeting with the Audit Committee of the Board of Regents of Connecticut State Colleges and Universities

June 2, 2020

This communication is intended solely for the information and use of management and those charged with governance of CSCU and is not intended to be and should not be used by anyone other than these specified parties.

# 2019 Audit concluding presentation- Connecticut Community Colleges

## Open items as of May 22, 2020

- Legal update from the State Attorney General’s office (response requested for May 28, effective through June 11)

- Final review of amended draft financial statements

- Completion of audit procedures surrounding the following:
  - State appropriations (clarification of reconciling items)
  - GPA cash account reconciliation
  - GPA accounts payable reconciliation

- Final review of concluding procedures (subsequent events, management representation letter, legal update, etc.)

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# Significant risks and other areas of focus

| Area of focus | Procedures |
|---|---|
| Tuition and Fee Revenue and related receivables/deferred revenues (significant risk) | • Performed detailed testing of a sample of transactions, agreeing to source documentation.<br>• Performed deferred revenue testing to determine proper cut-off.<br>• Gained an understanding of the allowance methodology and, policy(ies) governing additional charges or other steps taken (e.g., cannot register, cannot attend commencement) for lack of payment of student account.<br>• Assessed management's analysis of allowances for doubtful accounts for reasonableness, consistency with methodology and accuracy of inputs. |
| Grant revenue and accounts receivable | • Tested a selection of grant receivable and grant deferred revenue balances.<br>• Performed detailed transaction testing over grant revenue |
| Net Pension Liability (related deferred inflows/outflows and pension expense) | • Reviewed management's methodology and journal entries to record pension liability and related accounting.<br>• Reviewed the reports issued by the Auditors of Public Accounts. |

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# Significant risks and other areas of focus – continued

| Area of focus | Procedures |
|---|---|
| State Appropriations | • Reconciled amounts to the GL, including confirmation of certain amounts with the State. |
| Capital Assets | • Tested a rollforward of capital asset balances. |
| Cash and cash equivalents | • Confirmed all material cash balances, and reconciled confirmed balances to the GL. |

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# Use of the Work of Others

| Other Auditors |
|---|
| **Foundations**: GT noted that each of the Foundation has a separate auditor. In our auditor's report on each entity's financial statements, we make reference to the audit performed by the other unaffiliated auditor. |
| **Net Pension and OPEB Liability**: Management engages the State Auditor of Connecticut to perform the audit of the valuation prepared by independent actuaries as part of recording the Net Pension Liability and related deferred inflows/outflows and pension expense. |

| Specialists |
|---|
| IT: The audit team includes IT specialists who performed design effectiveness testing of Banner. Results of that portion of the audit were communicated at the previous meeting of the audit committee. |

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# Other Required Communications

Professional standards require that we communicate the following matters to you, as applicable.

| |
|---|
| Going concern matters |
| Fraud and noncompliance with laws and regulations |
| Significant deficiencies and material weaknesses in internal control over financial reporting |
| Use of other auditors |
| Use of internal audit |
| Related parties and related party transactions |

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# Other Required Communications
## (continued)

| |
|---|
| Disagreements with management |
| Management's consultations with other accountants |
| Significant issues discussed with management |
| Significant difficulties encountered during the audit – *Refer to discussion of internal control matters. There were significant difficulties to complete the audit in a timely manner.* |
| Other significant findings or issues that are relevant to you and your oversight responsibilities |
| Modifications to the auditor's report |
| Other information in documents containing audited financial statements |

# Quality of Accounting Practices

| | |
|---|---|
| Accounting policies | CCC's significant accounting policies employed in the preparation of its financial statements are discussed in Note 1. There were no significant changes in the accounting policies utilized by CCC during the period. |
| Accounting estimates | Significant estimates requiring management's judgment include the following:<br>• Net pension and OPEB liability and related deferred inflows/outflows<br>• Liability for compensated absences<br>• Assumptions used in worker's compensation accrual<br>• Useful lives of depreciable assets |
| Disclosures | All required disclosures are presented within the financial statements in a clear and concise manner. |
| Other related matters | None noted. |

# Summary of Misstatements

| | |
|---|---|
| Adjusting Entry #1 Recorded by management | Dr. Accounts receivable – Due from MCC $260,790<br>Cr.     Accounts payable $260,790<br><br>*To correct GPA eliminating entry for FY 2019* |

# Internal Control Matters

## Our responsibility

- Obtain reasonable assurance about whether the financial statements are free of material misstatement
- Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CCC's internal control
- We express no opinion on the effectiveness of internal control
- Control deficiencies that are of a lesser magnitude than a significant deficiency will be (or were) communicated to management.

## Definitions

- A deficiency in internal control ("control deficiency") exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect, misstatements on a timely basis.
- A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of CCC's annual or interim financial statements will not be prevented or detected on a timely basis.

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# Internal Control Matters (continued)

| Our consideration of internal control was not designed to identify all deficiencies in internal control that, individually or in combination, might be significant deficiencies. Therefore, significant deficiencies may exist that were not identified. However, we consider the following identified control deficiencies to be significant deficiencies. | |
|---|---|
| **Finding** | **Recommendation** |
| Material Weakness – Failure to close the books in a timely and accurate capacity | • GT recommends CCC formalize closing processes to ensure institutional knowledge is retained and applied consistently. This would ensure financial records are accurately closed in a timely fashion. |

This material weakness did not result in a modified opinion on the financial statements. The opinion is unmodified.

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# 2020 Audit Planning Presentation and Discussion

## Connecticut State Colleges and Universities

# Engagement Team Contact Information

| Engagement Member | Role | Phone | Email |
|---|---|---|---|
| Claire Esten | Lead Engagement Partner | 508.926.2481 | Claire.Esten@us.gt.com |
| Matt McCormack | Audit Manager | 860.781.6730 | Matt.McCormack@us.gt.com |
| Brian Hopkins | Audit Experienced Manager | 212.542.9672 | Brian.Hopkins@us.gt.com |
| Cory Stadelbauer | Audit Manager | 248.213.4289 | Cory.Stadelbauer@us.gt.com |
| Hassan Khan | IT Managing Director | 212.542.9593 | Hassan.Khan@us.gt.com |
| Dan Romano | Tax Partner | 212.542.9609 | Daniel.romano@us.gt.com |

# Audit Timeline & Scope

| | | |
|---|---|---|
| April 2020 | Client continuance | • Client continuance<br>• Conduct internal client service planning meeting, including coordination with audit support teams (IT, tax, valuation) |
| May/June 2020 | Planning | • Meet with management to confirm expectations and discuss business risks<br>• Issue engagement letter<br>• Discuss scope of work and timetable as well as identify current year audit issues<br>• Initial Audit Committee communications |
| May/June 2020 | Preliminary risk assessment | • Develop an audit plan that addresses risk areas<br>• Update understanding of internal control environment<br>• Coordinate planning with management and develop work calendar |
| June 2020 | Interim fieldwork | • Perform walkthroughs of business processes and controls<br>• Perform selective substantive testing on interim balances |
| September-December 2020 | Final fieldwork | • Perform final phase of audit and year-end fieldwork procedures<br>• Meet with management to discuss results including review of draft financial statements, misstatements (if any) and completeness/accuracy of disclosures<br>• Present results to the Audit Committee |
| Report issuance date | Deliverables | • Financial Statements<br>• Listing of unrecorded misstatements and omitted disclosures (if any) |

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# Materiality

Materiality is the magnitude of an omission or misstatement that likely influences a reasonable person's judgment. It is ordinarily evaluated against relevant financial statement benchmark(s).

| Entity | Benchmark |
|---|---|
| CSCU (4 campuses and system office) | Total Assets or Total Revenues* |
| Charter Oak | Total Assets or Total Revenues* |
| Community Colleges | Total Assets or Total Revenues* |
| Magnet School (Great Path Academy) | Total Assets |

Financial statement items greater than materiality are within our audit scope. Other accounts or classes of transactions less than materiality may be in our scope if qualitative risk factors are present (for example, related party relationships or significant unusual transactions).

*We are assessing the impacts of COVID-19 on the financial results of these entities to determine the most appropriate benchmark.

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# Significant risks and other areas of focus

The following provides an overview of the areas of significant audit focus based on our risk assessments:

| | Central | Southern | Eastern | Western | System Office | CCC | Charter Oak |
|---|---|---|---|---|---|---|---|
| Tuition & Fees Revenue* | X | X | X | X | | X | X |
| Auxiliary Revenues | X | X | X | X | | | X |
| Grant Revenues | X | X | X | X | | X | X |
| Capital Assets | X | X | X | X | X | X | X |
| Debt | | | | | X | | |
| Impact of COVID19 | X | X | X | X | X | X | X |

State appropriations and employee compensation related accruals (compensated absences, net pension liability, and deferred outflows/inflows) are tested at the System Office for Universities. State appropriations and employee compensation related accruals will be tested for Community Colleges and Charter Oak at those respective locations. Journal entries, Net Assets, Cash, Operating Expenses, and Employee Compensation will also be tested at each entity/campus.

*- Denotes a significant risk

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# Significant risks and other areas of focus - continued

| Area of focus | Accounting/auditing considerations |
|---|---|
| Impact of COVID19 pandemic | 1) Asset impairment - material assets subject to possible impairment or devaluation. Universities need to carefully identify the appropriate impairment model and consider whether the pandemic affects whether an impairment should be recognized and, if so, the extent of the impairment. This could impact fixed assets, investments, and other assets.<br>2) Lease modifications- depending on changes in business model, certain changes to leases (and related accounting) may be required.<br>3) Insurance recoveries - Universities may be entitled to reimbursement for losses under various types of insurance policies as a result of the pandemic.<br>4) Contingent losses – A University is required to recognize a contingent loss if (a) it is probable that the liability has been incurred as of the balance-sheet date, and (b) the amount of the loss is reasonably estimable (as either a point estimate or a range of loss).<br>5) Impact of various federal relief programs- Universities are eligible to participate in certain federal government relief programs to mitigate the financial impacts of the pandemic. The appropriate accounting and financial reporting of the various relief programs such as deferral of payroll tax payments, CARES Act HEERF, Student room and board refunds, Title IV refunds, etc. is evolving.<br>6) Reserves for uncollectible accounts- Because of the significant economic impact of the pandemic, Universities may need to reevaluate the basis for reserves on certain accounts such as student accounts and loans receivable, as well as other reserves.<br>7) Disclosures of risks and uncertainties- Disclosure of risks and uncertainties related to operations/activities, accounting estimates, and vulnerabilities, among others specified in ASC 275 should be considered when preparing the financial statement footnotes.<br><br>Our planned audit procedures to address these risks are in development and we will update the Audit and Compliance Committee regarding the results of our procedures at the conclusion of the audit process. |

# Significant risks and other areas of focus - continued

| Significant risk | Procedures |
|---|---|
| Management override of controls (presumed fraud risk and therefore significant risk in all audits) | • Consider the design and implementation of entity-level controls, including information technology controls, designed to prevent/detect fraud.<br>• Assess the ability of the University to segregate duties in its financial reporting, information technology, and at the activity-level.<br>• Conduct interviews of individuals involved in the financial reporting process to understand (1) whether they were requested to make unusual entries during the period and (2) whether they are aware of the possibility of accounting misstatements resulting from adjusting or other entries made during the period.<br>• Perform risk assessment for journal entries and detail test a sample of journal entries based on our risk assessments to ensure propriety of the entries. |
| Tuition revenue and related receivables/deferred revenue | • Obtain an understanding of internal controls over student tuition and fees, including the awarding of federal and institutional aid.<br>• Perform reasonableness test on tuition and fees revenue amounts.<br>• Perform detailed testing of a sample of transactions, agreeing to source documentation.<br>• Perform deferred revenue testing to determine proper cut-off.<br>• Gain understanding of the allowance methodology and, policies governing additional charges or other steps taken (e.g., cannot register, cannot attend commencement) for lack of payment of student account.<br>• Assess management's analysis of allowances for doubtful accounts for reasonableness. |

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# Technology support as part of the audit process

| Phase 1 | Phase 2 | Phase 3 | Phase 4 |
|---|---|---|---|
| Understand and document business processes material to the audit | Assess IT risks | Identify IT controls that support audit objectives | Test design effectiveness of technology- related controls |

An important component of our audit approach is to understand how IT is used in supporting business operations and producing financial reports. Our technology specialists place particular emphasis on the risks relating to the use of technology and its associated controls, processes and practices.

Our general controls review evaluates the design of controls that mitigate risk in areas such as organization and operations, protection of physical assets, application systems development and maintenance, access controls and computer operations.

# Use of the Work of Others

## Specialists

- GT IT Audit Services – IT reviews of Banner (CSUS and CCC) and Jenzabar (COSC)
- GT Pricing Group – Valuation of investments
- GT Tax Group – Review of UBIT and tax positions

## Other Auditors

Each of the Foundations of the Universities, System Office, Community Colleges, and Charter Oak have a separate audit. We will rely upon and make reference to the work performed by these other auditors within our audit reports.

# Selected pronouncements effective for the year ending June 30, 2020 or subsequent periods - GASB

| Title | Effective date | Effective for CSCU |
|---|---|---|
| GASB 84- *Fiduciary Activities* | Periods beginning after December 15, 2019 | FY21 |
| GASB 87- *Leases* | Periods beginning after June 15, 2021 | FY22 |

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# Views of Those Charged with Governance

**Discussion points**

- Risks of fraud
- Awareness of fraud
- Awareness of related party transactions, understanding of purposes of related party transactions
- Awareness of whistleblower tips or complaints
- Oversights of management's risk assessment process
- Views about the entity's objectives and strategies, and the related risks of material misstatement
- Awareness of any internal control matters and views about management's response
- Oversight of financial reporting process
- Actions taken in response to developments in law, accounting standards, and corporate governance matters

 

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Audit Planning Presentation

# Appendix

**Audit Planning Presentation- Appendix**

# 1) Industry Updates
# 2) FY20 Engagement Letter
# 3) EthicsPoint

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Audit Planning Presentation

# Industry Updates

# Key themes in 2019 and looking ahead at 2020

**Pre-Coronavirus:**

- 2020 outlook was stable (Moody's)/negative (S&P), but seeming to be on an upward trajectory (Moody's had shifted from a previously "negative" outlook)
- Endowment assets hit a high point in 2019
- State funding for 2020 was projected to be stable to positive
- Continued financial disparity between the "haves" and "have nots" within the higher education industry

**Post-Coronavirus:**

- Coronavirus creates uncertainty and many downside risks
- YTD 2020 market volatility a significant concern
- Price sensitivity (restraint on net tuition increases) continues and unlikely to improve
- Unfavorable demographics worrisome in East and Midwest continue to cause enrollment concerns
- Uncertainty on future reforms and state budgets

# Moody's Outlook (March 2020)

Moody's

Outlook shifts from "**Stable**" to **“Negative”** as coronavirus increases downside risks

- Change in outlook is in response to **immediate negative financial impact of coronavirus** as well as **other significant downside risks**
- Ability to respond to rapidly increasing downside risks varies widely across the sector
  - The approximately 30% of universities and colleges with already weak operating performance will have greater difficulty adapting
  - Credit stress will become material for approximately 5-10% of the sector
  - Universities differ in their capacity to shift to digital education platforms
- Universities face multiple revenue risks in 2021
  - Enrollment uncertainty
  - Questions on state support and federal research grants and contracts
  - Endowment return and philanthropy concerns
- What could change the outlook to convert back to "stable"
  - Sustained recovery in the financial markets
  - Reversal of the projected economic slowdown in the latter part of the year
  - A stable enrollment environment for fall 2020 semester

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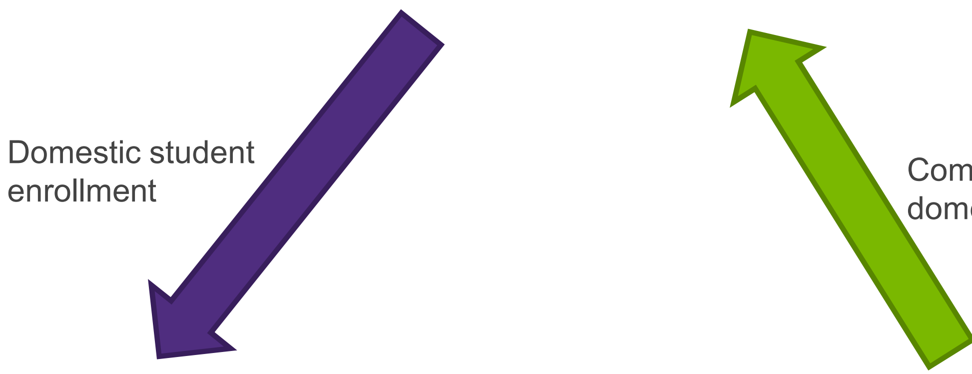
MOODY'S

# Moody's Sector Comment (April 2020)

"Coronavirus will lower student demand and increase costs for universities"

- Duration of the pandemic will play a key role in the magnitude of the credit impact
- US hosts approximately 25% of the world's international students
- China represents approximately 23% of the world's international students




- Most severe financial impact expected in fiscal 2021

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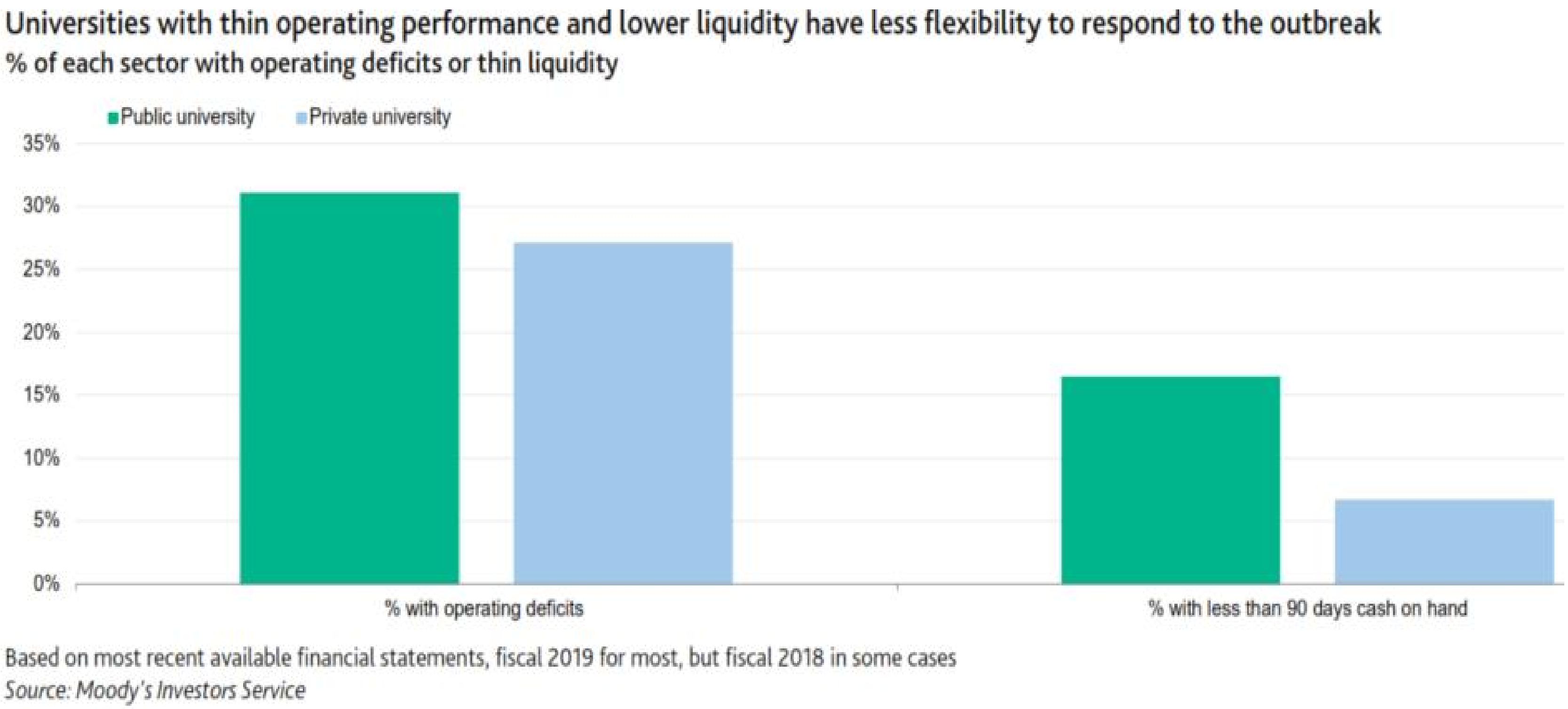
# Operating margin under pressure

Moody's

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Moody's

# The digital divide

- Moving to solely online delivery of coursework underscores the responsiveness of higher education
- Federal government has been quick to alter rules to enable online course delivery without impairing financial aid

BUT STILL…
- The higher education sector faces a digital divide
- Some universities have already invested in digital delivery capabilities and stand ready to respond
- Those that have not made those investments because of resource constraints or historically not viewing such channels as mission-critical are less able to respond
- Universities serving primarily low-income students face more difficulties moving coursework online because of challenges to access high-speed internet

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# S&P 2020 Sector Outlook (January 2020)

S&P Global Ratings

Negative- third consecutive year

**Opportunities:**

- Gift-giving, research environments remain strong
- Schools continue to pursue partners for efficiencies, enrollment and online strategies
- Low-interest-rate environment provides broader financing opportunities

**Risks:**

- Shrinking pool of high school graduates & international enrollment trends
- Declining net tuition revenue
- Management & governance crises could cause disruptions
- Costs and contributions to pensions rising
- Economic growth projected as below 2%

S&P sees sector continuing to struggle, with some silver linings

17 downgrades and 14 upgrades

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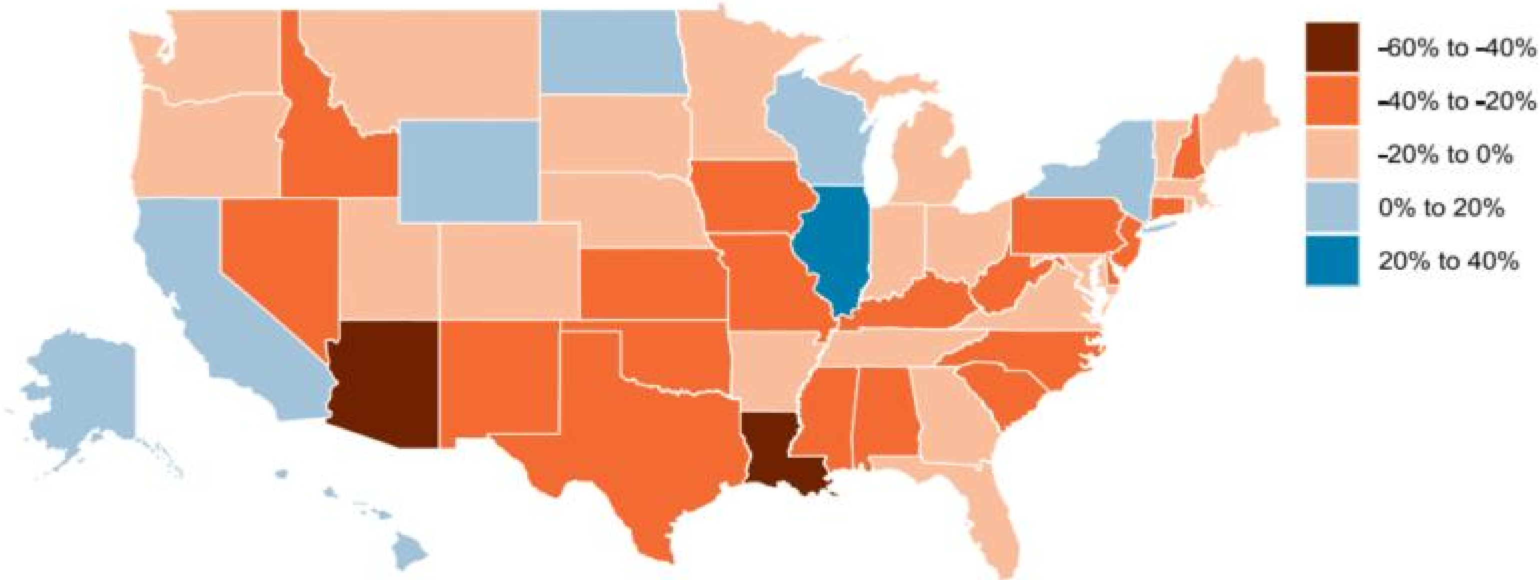
# State support trends

S&P Global Ratings

**Percent Change In State Support Per FTE, 2008 To 2018**




Source:S&P Global. 2018 SHEF Report, State Higher Education Executive Officers. Constant 2018 dollars adjusted by Cost of Living Index, Enrollment Mix Index, and the SHEEO Higher Education Cost Adjustment (HECA). Copyright © 2020 By Standard & Poor's Financial Services LLC. All Rights Reserved.



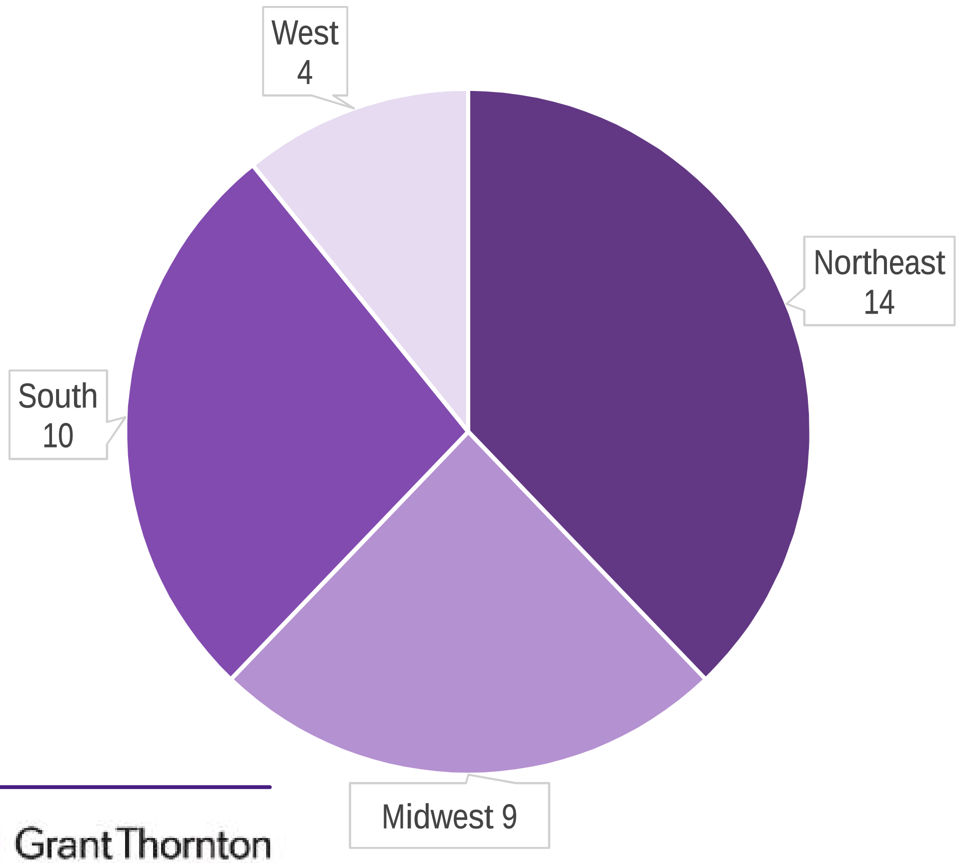
# Closed or merged since 2016


- **Approximately 37 closings and mergers 2016-2019**
- **Moody's projects closures and mergers to continue at approximately 10-12 a year (pre-COVID19 prediction)**



# Closed or merged in 2019 by region




**2019 Closings and Mergers:**

- College of St. Joseph (VT)
- Green Mountain College (VT)
- Hiwassee College (TN)
- Marygrove College (MI)
- New Hampshire Institute of Art (NH)
- Newbury College (MA)
- Southern Vermont College (VT)
- Cumberland County College (NJ)
- College of New Rochelle (NY)
- Marlboro College (VT)
- Oregon College of Art and Craft (OR)
- Cincinnati Christian University (OH)

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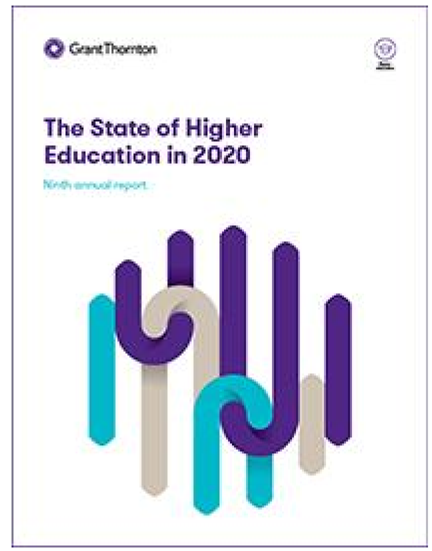
# Guidance on important emerging developments and challenges

Articles in the 2020 report

- Charting a future course: A new operating model
- Effectively navigating campus crises
- A new role for the president: Chief innovator
- Gen Z is coming: Is your institution ready?
- The evolving impact of data privacy regulations
- Creative necessity: The need for new revenue streams
- Changing tuition models: Tuition resetting and ISAs
- The expanding influence of CFIs

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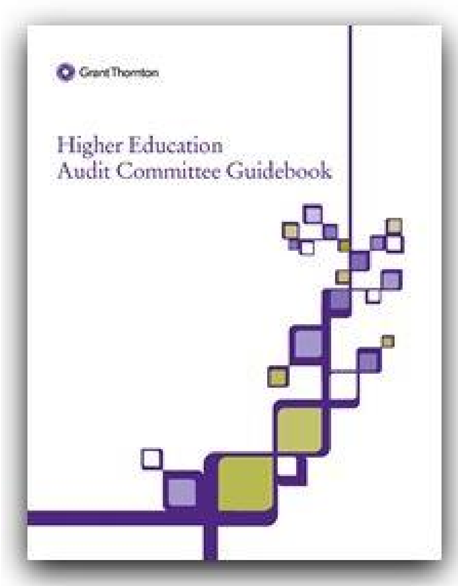
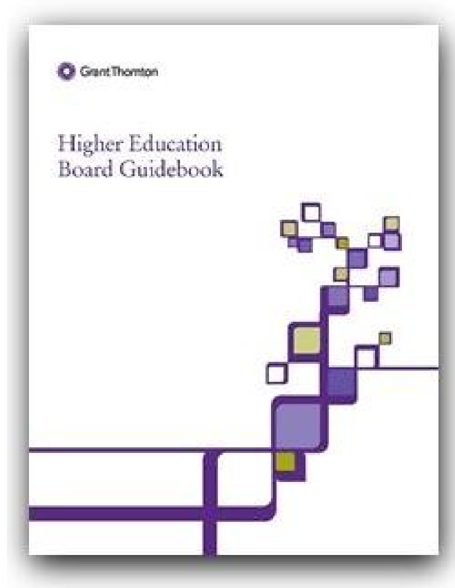
# Additional resources

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Audit Planning Presentation

# FY20 Engagement Letter

GRANT THORNTON LLP
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April xx, 2020

Benjamin Barnes
Chief Financial Officer
Connecticut State Colleges and Universities
61 Woodland Street
Hartford, CT 06105

Dear Mr. Barnes:

Thank you for discussing with us the requirements of our forthcoming engagement. This letter (the "Engagement Letter"), along with the agreement between Grant Thornton LLP and the Board of Regents for Higher Education on behalf of the Connecticut State University System, Connecticut Community Colleges and Charter Oak State College (the "Agreement"), as amended, documents our mutual understanding of the arrangements for the services described herein.

## Scope of services

Grant Thornton LLP ("Grant Thornton") will audit the financial statements of the business-type activities of the Connecticut State University System ("CSU"), the Connecticut Community Colleges ("CCC") and Charter Oak State College ("COSC") (collectively, the "Entity" or "CSCU"), as of and for the year ended June 30, 2020.

We will not audit the financial statements of all the component units of CSU, CCC, and COSC, excluding the Magnet School (GPA), a component unit of the CCC (which will be audited by Grant Thornton). Those statements will be audited by other auditors, whose report will be furnished to us, and our opinion, in so far as it relates to amounts included in the Entity's basic financial statements for the component units (excluding GPA) will be based solely on the report of the other auditors.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America ("US GAAS") established by the American Institute of Certified Public Accountants ("AICPA"). An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

In assessing the risks of material misstatement, an auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. GAGAS further requires us to perform tests of the entity's compliance with laws, regulations, contracts, and grant agreements, in which noncompliance could have a direct and material effect on the determination of financial statement amounts. However, an audit is not designed to provide assurance on compliance or internal control over financial reporting or to identify immaterial instances of noncompliance or internal control deficiencies.

When conducting an audit, the auditor is required to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, to enable the auditor to express an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Although not absolute assurance, reasonable assurance is, nevertheless, a high level of assurance. However, an audit is not a guarantee of the accuracy of the financial statements. Even though the audit is properly planned and performed in accordance with professional standards, an unavoidable risk exists that some material misstatements or noncompliance with laws, regulations, contracts, and grant agreements may not be detected due to the inherent limitations of an audit, together with the inherent limitations of internal control. Also, an audit is not designed to detect errors or fraud that is immaterial to the financial statements.

Given the concept of accountability for use of public resources and government authority, evaluating internal control may also include considering internal control deficiencies that result in waste or abuse. Because the determination of waste and abuse is subjective, we are not required to perform specific procedures to detect waste or abuse. Waste and abuse are distinct from, but may be indicative of, fraud and noncompliance. Waste is the act of using or expending resources carelessly, extravagantly, or to no purpose; waste can include activities that do not include abuse and does not necessarily involve a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight. Abuse is behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate. We may consider whether and how to communicate waste or abuse detected as a result of our audit, if any.

Upon the completion of the foregoing audit and subject to its findings, we will render our report on the Entity's financial statements and communicate our findings in accordance with US GAAS.

It is possible that circumstances may arise in which our report(s) may differ from its expected form and content, resulting in a modified report or disclaimer of opinion. Further, if in our professional judgment the circumstances necessitate, we may resign from the engagement prior to completion.

Our audit does not relieve management or those charged with governance of their responsibilities.

## Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and certain information pertaining to pension and postretirement plans be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board ("GASB") who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We will apply certain limited procedures to the required supplementary information in accordance with US GAAS. These limited procedures consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtain during our audit of the basic financial statements. We will not express an opinion nor provide any assurance on the information because the limited procedures will not provide us with sufficient evidence to express an opinion or provide any assurance.

## Responsibilities of those charged with governance

Effective two-way communication with the Audit Committee (referred to as "those charged with governance") assists us in obtaining information relevant to the audit and also assists those charged with governance in fulfilling their responsibility to oversee the financial reporting process. Those charged with governance play an important role in the Entity's internal control over financial reporting by setting a positive tone at the top and challenging the Entity's activities in the financial arena. Accordingly, it is important for those charged with governance to communicate to us matters they believe are relevant to our engagement. As indicated below, management also has a responsibility to communicate certain matters to those charged with governance and to Grant Thornton.

In connection with our engagement, professional standards require us to communicate certain matters that come to our attention to those charged with governance, such as the following:

- fraud involving senior management and fraud that causes a material misstatement
- illegal acts, unless clearly inconsequential
- violations of contracts or grant agreements that causes a material misstatement
- failure to report fraud, illegal acts, violations of contracts or grant agreements, waste, or abuse to specified external parties when required by law or regulation. We may also be required to report such matters directly to the external party.
- significant deficiencies and material weaknesses in internal control over financial reporting
- disagreements with management and other serious difficulties encountered
- qualitative aspects of significant accounting practices, including accounting policies, estimates, and disclosures
- audit adjustments and uncorrected misstatements, including missing disclosures.

## Management responsibilities

As you are aware, the financial statements are the responsibility of management. Management is responsible for preparing and fairly presenting the financial statements in accordance with accounting principles generally accepted in the United States of America, which includes adopting sound accounting practices and complying with changes in accounting principles and related guidance. Management is also responsible for:

- providing us with access to all information of which they are aware that is relevant to the preparation and fair presentation of the financial statements, including all financial records, documentation of internal control over financial reporting and related information, and any additional information that we may request for audit purposes
- providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain audit evidence
- ensuring that the Entity identifies and complies with all laws, regulations, contracts, and grant agreements applicable to its activities and for informing us of any known violations. The Entity should identify and disclose to us all laws, regulations, contracts, and grant agreements that have a direct and material effect on the determination of financial statement amounts or other significant financial data.
- taking timely and appropriate steps to remedy fraud, illegal acts, violations of contracts or grant agreements, waste, or abuse that we may report
- designing, implementing, and maintaining effective internal control over financial reporting, which includes adequate accounting records and procedures to safeguard the Entity's assets, and for informing us of all known significant deficiencies and material weaknesses in, and significant changes in, internal control over financial reporting
- informing us of their views about the risk of fraud within the Entity and their awareness of any known or suspected fraud and the related corrective action proposed
- adjusting the financial statements, including disclosures, to correct material misstatements and for affirming to us in a representation letter that the effects of any uncorrected misstatements, including missing disclosures, aggregated by us during the current engagement, including those pertaining to the latest period presented, are immaterial, both individually and in the aggregate, to the financial statements as a whole
- establishing and maintaining a process to address and track the status of our findings, conclusions, and recommendations, including providing management's views on such matters as well as planned corrective actions to be included in the report, in a timely manner. This includes informing us of findings and recommendations from previous audits, attestation engagements, or other studies that could have a material effect on the

financial statements and whether any related recommendations were implemented.

- informing us of any events occurring subsequent to the date of the financial statements through the date of our auditor's report that may affect the financial statements or the related disclosures

- informing us of any subsequent discovery of facts that may have existed at the date of our auditor's report that may have affected the financial statements or the related disclosures

- distributing the report(s), including the financial statements, any supplementary information, and the report(s) thereon, to those officials and organizations requiring them.

To assist those charged with governance in fulfilling their responsibility to oversee the financial reporting process, management should discuss with those charged with governance the:

- adequacy of internal control and the identification of any significant deficiencies or material weaknesses, including the related corrective action proposed

- significant accounting policies, alternative treatments, and the reasons for the initial selection of, or change in, significant accounting policies

- process used by management in formulating particularly sensitive accounting judgments and estimates and whether the possibility exists that future events affecting these estimates may differ markedly from current judgments

- basis used by management in determining that uncorrected misstatements, including missing disclosures, are immaterial, both individually and in the aggregate, including whether any of these uncorrected misstatements could potentially cause future financial statements to be materially misstated.

We will require management's cooperation to complete our services. In addition, we will obtain, in accordance with professional standards, certain written representations from management, which we will rely upon.

## Other information

Management is responsible for providing us with other information that will be included in an annual report or similar document containing the audited financial statements and our auditor's report thereon. Management should provide the information prior to the release of our auditor's report. Our responsibility for such information does not extend beyond the financial information identified in our report. We do not perform any procedures to corroborate the other information contained in these documents. Professional standards require us to read the other information and consider whether the other information, or the manner of its presentation, is materially inconsistent with information appearing in the financial statements. We will bring to management's attention any information that we believe is a material misstatement of fact.

## Use of our reports

The inclusion, publication, or reproduction by the Entity of any of our reports in documents such as bond offerings and regulatory filings containing information in addition to financial statements may require us to perform additional procedures to fulfill our professional or legal responsibilities. Accordingly, our reports should not be used for any such purposes without our prior permission. In addition, to avoid unnecessary delay or misunderstanding, it is important that the Entity give us timely notice of its intention to issue any such document.

# Other services

## Supplementary information

Management is responsible for separately preparing the combining schedules. Such supplementary information, which will be presented for purposes of additional analysis and is not a required part of the financial statements, will be subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These procedures will include comparing and reconciling the supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with US GAAS. The purpose of our procedures will be to form and express an opinion as to whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

In connection with our procedures, management is responsible for informing us about:

- the methods of measurement and presentation of the supplementary information
- whether those methods have changed from the methods used in the prior period and the reasons for the change, if any
- any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management will present the supplementary information with the audited financial statements. Management is responsible for including our report on the supplementary information in any document that contains the supplementary information and that indicates we reported on it.

We will require management to provide us with certain written representations related to their responsibilities described above, including whether management believes the supplementary information (including its form and content) is fairly presented in accordance with the applicable criteria.

## Other reports

We will issue a report on compliance with debt covenants for the Connecticut State University System in accordance with CHEFA requirements.

## Other services

Any other services that you request will constitute a separate engagement that will be subject to our acceptance procedures. Professional standards, laws, and regulations may prescribe limitations on non-audit services we may perform without impairing our independence.

# Fees

## Standard billings

The Cost and Schedule of Payments are found in Section XI of the Agreement, as amended.

As part of our audit services, we will provide access to the Grant Thornton Client Experience Portal, which includes Grant Thornton guidance, premium third-party resources, such as accounting research literature, CPE webcasts and online training, business intelligence, and industry news, as well as collaboration tools.

If it appears that the estimated fee will be exceeded, we will bring this to your attention.

From time to time, Grant Thornton may receive certain incentives in the form of bonuses and rewards from its corporate card and other vendors. Such incentives to the extent received will be retained by Grant Thornton to cover firm expenses.



## Additional billings

Of course, circumstances may arise that will require us to do more work. Some of the more common circumstances include changing auditing, accounting, and reporting requirements from professional and regulatory bodies; incorrect accounting applications or errors in Entity records; restatements; failure to furnish accurate and complete information to us on a timely basis; and unforeseen events, including legal and regulatory changes. We are enclosing an explanation of various matters that can cause us to perform work in excess of that contemplated by our fee estimate. Should any circumstances that will require performance of additional work, the parties shall mutually agree, in accordance with Sections V and XI of the Agreement as amended, to the commencement of work and additional billings.

At Grant Thornton, we pride ourselves on our ability to provide outstanding service and meet our clients' deadlines. To help accomplish this goal, we work hard to have the right professionals available. This involves complex scheduling models to balance the needs of our clients and the utilization of our people, particularly during peak periods of the year. Last minute client requested scheduling changes result in costly downtime due to our inability to make alternate arrangements for our professional staff.

We will coordinate a convenient time for Grant Thornton to begin work. If, after scheduling our work, you do not provide proper notice, which we consider to be one week, of your inability to meet the agreed-upon date(s) for any reason, or do not provide us with sufficient information required to complete the work in a timely manner, additional billings will be rendered for any downtime of our professional staff.

## Adoption of new leasing standard

GASB 87, *Leases*, is effective for annual reporting periods beginning after December 15, 2019 (FY21 for the Entity). We will communicate with management and those charged with governance periodically to understand the Entity's GASB 87 adoption and implementation plan and the progress in executing that implementation plan. As the Entity executes on its implementation plan and identifies necessary changes to systems, processes, and policies, we will request meetings and review documentation related to those expected changes.

Any work we perform related to your GASB 87 implementation is not included in the scope of work for the audit services outlined in this Engagement Letter. We will discuss with you the fees for the GASB 87 implementation work.

## Adoption of other new accounting standards

Professional and regulatory bodies frequently issue new accounting standards and guidance. Sometimes, standards are issued and become effective in the same period, providing a limited implementation phase and preventing us from including the impact in our estimated fees. In such circumstances, we will discuss with you the additional audit procedures and related fees, including matters such as the retrospective application of accounting changes and changes in classification.

## Other costs

Except with respect to a dispute or litigation between Grant Thornton and the Entity, our costs and time spent in legal and regulatory matters or proceedings arising from our engagement, such as subpoenas, testimony, or consultation involving private litigation, arbitration, industry, or government regulatory inquiries, whether made at the Entity's request or by subpoena, will be billed to the Entity separately.

Professional standards impose additional responsibilities regarding the reporting of illegal acts that have or may have occurred. To fulfill our responsibilities, we may need to consult with Entity counsel or counsel of our choosing about any illegal acts that we become aware of. Additional fees, including legal fees, will be billed to the Entity. The Entity agrees to ensure full cooperation with any procedures that we may deem necessary to perform.

# Other matters

## Relationship to Grant Thornton International Ltd

Grant Thornton is the U.S. member firm of Grant Thornton International Ltd ("GTIL"), an organization of independently owned and managed accounting and consulting firms. References to GTIL are to Grant Thornton International Ltd. GTIL and the member firms are not a worldwide partnership. Services are delivered independently by the member firms. These firms are not members of one international partnership or otherwise legal partners with each other internationally, nor is any one firm responsible for the services or activities of any other firm.

## Use of third-party service providers and affiliates

Grant Thornton may use third-party service providers, such as independent contractors, specialists, or vendors, to assist in providing our professional services. We may also use GTIL member firms, other affiliates (including the GT US Shared Services Center India Private Limited and the Grant Thornton US Knowledge and Capability Center India Private Limited, affiliates of Grant Thornton located in Bangalore, India), or other accounting firms. Such entities may be located within or outside the United States.

Grant Thornton intends to use the professional services, technology, and resources of the following entity to assist us in the performance of the engagement:

- Capital Confirmation, Inc. – electronic confirmation services

Additionally, Grant Thornton may use third-party service providers to provide administrative or operational support to Grant Thornton, or to provide engagement team resource services. Such entities may be located within or outside the United States. All of these third party service providers are subject to confidentiality obligations to protect the confidentiality of client data.

You hereby consent and authorize us to disclose Entity information to the GT US Shared Services Center India Private Limited and/or the Grant Thornton US Knowledge and Capability Center India Private Limited and the other above named entity for purposes of providing services to you as part of our professional relationship.

## Data analytics and automated data gathering

Grant Thornton is committed to improving audit quality through the use of data analytics, which uses Entity data collected to perform our services and includes analysis of anonymized data across clients. Grant Thornton also uses automated data gathering tools to efficiently extract large data sets needed to perform our services. These automated data gathering tools are designed to be executed by the Entity's information technology professionals within the Entity's information systems environment.

## Hiring of personnel

The Entity acknowledges that hiring current or former Grant Thornton (or GTIL member firm) personnel participating in the engagement may be perceived as compromising our objectivity, and depending on the applicable professional standards, impairing our independence in certain circumstances. Accordingly, prior to entering into any employment discussions with such known individuals, you agree to discuss the potential employment, including any applicable independence ramifications, with the engagement partner responsible for the services.

## Privacy

Grant Thornton is committed to protecting personal information and will maintain such information in confidence in accordance with professional standards and governing laws. The Entity will not provide any personal information to Grant Thornton unless necessary to perform the services described herein. When providing any personal information to us, the Entity will comply with all applicable laws (both foreign and domestic) and will anonymize, mask, obfuscate, and/or de-identify, if reasonably possible, all personal information that is not necessary to perform the services described herein. Any personal information provided to us by the Entity will be kept confidential and not disclosed to any third party unless expressly permitted by the

Entity or required by law, regulation, legal process, or professional standards. The Entity is responsible for obtaining, pursuant to law or regulation, consents from parties that provided the Entity with their personal information, which will be obtained, used, and disclosed by Grant Thornton for its required purposes.

## Documentation

The documentation for this engagement is the property of Grant Thornton and constitutes confidential information. We have a responsibility to retain the documentation for a period of time sufficient to satisfy any applicable legal or regulatory requirements for records retention.

Pursuant to law or regulation, we may be requested to make certain documentation available to regulators, governmental agencies, or their representatives (“Regulators”). If requested, access to the documentation will be provided to the Regulators under our supervision. We may also provide copies of selected documentation, which the Regulators may distribute to other governmental agencies or third parties. You hereby acknowledge we will allow and authorize us to allow the Regulators access to, and copies of, the documentation in this manner.

## Electronic communications

During the course of our engagement, we may need to electronically transmit confidential information to each other and to third-party service providers or other entities engaged by either Grant Thornton or the Entity. Electronic methods include telephones, cell phones, e-mail, secure file transfers, use of collaboration sites, and fax. These technologies provide a fast and convenient way to communicate. However, all forms of electronic communication have inherent security weaknesses, and the risk of compromised confidentiality cannot be eliminated. The Entity agrees to the use of electronic methods to transmit and receive information, including confidential information.

## Standards of performance

We will perform our services in conformity with the terms expressly set forth in this Engagement letter, including all applicable professional standards. Accordingly, our services shall be evaluated solely on our substantial conformance with such terms and standards. Any claim of nonconformance must be clearly and convincingly shown.

With respect to the services and this Engagement Letter, in no event shall the liability of Grant Thornton and its present, future, and former partners, principals, directors, employees, agents, and contractors for any claim, including but not limited to Grant Thornton’s own negligence, exceed the fees it receives for the portion of the work giving rise to such liability. This limitation shall not apply to the extent that it is finally determined that any claims, losses, or damages are the result of Grant Thornton’s gross negligence or willful misconduct. In addition, Grant Thornton shall not be liable for any special, consequential, incidental, or exemplary damages or loss (nor any lost profits, interest, taxes, penalties, loss of savings, or lost business opportunity) even if Grant Thornton was advised in advance of such potential damages. This paragraph and the paragraph directly below shall apply to any type of claim asserted, including contract, statute, tort, or strict liability, whether by the Entity, Grant Thornton, or others.

Further, the Entity shall, upon receipt of written notice, indemnify and hold harmless Grant Thornton and its present, future, and former partners, principals, directors, employees, agents, and contractors from and against any liability and damages (including punitive damages), fees, expenses, losses, demands, and costs (including defense costs) associated with any claim arising from or relating to the Entity's knowing misrepresentations or false or incomplete information provided to Grant Thornton. In the event of any controversy or claim against Grant Thornton arising from or related to the services described herein, Grant Thornton shall be entitled to defend itself from such controversy or claim and to participate in any settlement, administrative, or judicial proceedings.

It is expressly agreed by the Entity and Grant Thornton that any claim by, or on behalf of either party, arising out of services or this Engagement Letter, whether it be in contract, tort, or otherwise, shall be deemed waived if a claim is filed more than two (2) years from: (i) the date of the report(s) issued by Grant Thornton; or (ii) the date of this Engagement Letter if no report has been issued.

If because of a change in the Entity's status or due to any other reason, any provision in this Engagement letter would be prohibited by laws, regulations, or published interpretations by governmental bodies, commissions, state boards of accountancy, or other regulatory agencies, such provision shall, to that extent, be of no further force and effect, and the Engagement Letter shall consist of the remaining portions.

### Dispute resolution

Any controversy or claim arising out of or relating to the services, related fees, or this Engagement Letter shall first be submitted to mediation. A mediator will be selected by agreement of the parties, or if the parties cannot agree, a mediator acceptable to all parties will be appointed by the American Arbitration Association ("AAA"). The mediation will proceed in accordance with the customary practice of mediation. In the unlikely event that any dispute or claim cannot be resolved by mediation, we both recognize that the matter will probably involve complex business or accounting issues that would be decided most equitably to us both by a judge hearing the evidence without a jury. Accordingly, to the extent now or hereafter permitted by applicable law, the Entity and Grant Thornton agree to waive any right to a trial by jury in any action, proceeding, or counterclaim arising out of or relating to our services or this Engagement Letter.

## Authorization

This Engagement Letter sets forth the entire understanding between the Entity and Grant Thornton regarding the services described herein and supersedes any previous proposals, correspondence, and understandings, whether written or oral. If any portion of this Engagement Letter is held invalid, it is agreed that such invalidity shall not affect any of the remaining portions.

Please confirm your acceptance of this Engagement Letter by signing below and returning one copy to us.

Sincerely,

GRANT THORNTON LLP

Claire Esten
Partner

cc: Elease Wright, Audit Committee Chair

Enc: Matters that can cause work in excess of fee estimate

## Agreed and accepted by:

CONNECTICUT STATE COLLEGES AND UNIVERSITIES

_______________________________ _______________

Benjamin Barnes, Chief Financial Officer Date

**Matters that can cause work in excess of fee estimate**

We want you to receive the maximum value for our professional services and to perceive that our fees are reasonable and fair. However, in seeking to provide you with such value, we find there are various matters that can cause us to perform work in excess of that contemplated by our fee estimate. The following explains the matters that arise most frequently.

## Changing requirements

Today, there are numerous governmental or rule-making bodies that regularly add or change various requirements. Although we attempt to plan our work to anticipate the requirements that will affect our engagement, three types of situations make this difficult. Sometimes, these new requirements are not communicated in time for us to anticipate their effects in our preliminary planning. Secondly, in spite of our anticipation and planning, the work necessary to comply with new requirements may be underestimated. Finally, in some instances, you may decide that it is advantageous to you to have the new requirements applied immediately.

## Incorrect accounting applications or errors in your records

We generally form our fee estimates on the expectation that your accounting records are in good order so that our work can be completed based upon our normal testing and other procedures. However, should we find numerous errors, incomplete records, or disorganized bookkeeping methods, we will have to do additional work to determine that the necessary corrections have been made and properly reflected in the financial statements.

## Lack of audit facilitation or timely preparation

To minimize your costs, we plan the means by which your personnel can facilitate the audit (for example, what schedules they will prepare, how to prepare them, the supporting documents that need to be provided, and so forth). We also discuss matters such as availability of your key personnel, deadlines, and working conditions. Indeed, the information concerning these matters that you furnish to us is a key element in our fee quotation. Therefore, if your personnel are unable, for whatever reasons, to provide these materials on a timely basis, it may substantially increase the work we must do to complete the engagement within the established deadlines. Moreover, in some circumstances, this may require a staff withdrawal, as discussed below.

## Staff withdrawal

A staff withdrawal consists of our removing one or all staff because the condition of your records, or the inability of your personnel to provide agreed upon materials within the established timetable, makes it impossible for us to perform our work in a timely, efficient manner, as established by our engagement plan. Sometimes, a complete staff withdrawal is necessary to permit an orderly audit approach. A staff withdrawal is not necessarily an adverse reflection on your personnel. However, it involves additional costs, as we must reschedule our personnel, incur additional start-up costs, and so forth, to prevent total engagement costs from increasing significantly.

## Unforeseen events

Even though we communicate frequently with clients and plan our engagement with management and their staff, unforeseen events can occur. Examples include accounting problems, litigation, changes in your business or business environment, contractual or other difficulties with suppliers, third-party service providers, or customers, and so forth. When those circumstances occur, additional time is needed to provide you with assistance and to complete our engagement in accordance with professional standards.

Again, we emphasize that we strive to give you optimum value for our professional services. Fee quotations are provided based upon the facts and circumstances that you describe to us. However, unlike the sale of products, the performance of professional services is affected by many variables, such as the foregoing, which may cause fee estimates to change.

Grant Thornton

**Audit Planning Presentation**

# EthicsPoint

# Commitment to Promote Ethical and Professional Excellence

We are committed to promoting ethical and professional excellence. To advance this commitment, we have put in place a phone and internet-based hotline system.

The Ethics Hotline (1.866.739.4134) provides individuals a means to call and report ethical concerns.

The EthicsPoint URL link can be accessed from our external website or through this link:
https://secure.ethicspoint.com/domain/en/report_custom.asp?clientid=15191

Disclaimer: EthicsPoint is not intended to act as a substitute for a company's "whistleblower" obligations.

GrantThornton

CSCU Connecticut Community Colleges

# 2019 Financial Statements

*including*

Required Supplementary Information

Additional Supplemental Information

**June 30, 2019**

## Connecticut Community Colleges Mission Statement

As part of the Connecticut State Colleges & Universities (CSCU) system, the twelve Connecticut Community Colleges share a mission to make excellent higher education and lifelong learning affordable and accessible. Through unique and comprehensive degree and certificate programs, non-credit life-long learning opportunities and job skills training programs, they advance student aspirations to earn career-oriented degrees and certificates and to pursue their further education. The Colleges nurture student learning and success to transform students and equip them to contribute to the economic, intellectual, civic, cultural and social well-being of their communities. In doing so, the Colleges support the state, its businesses and other enterprises and its citizens with a skilled, well-trained and educated workforce.

**Members of the Board of Regents for Higher Education**
**(Between 7/1/18 – 6/30/19)**

- Thirteen members: nine appointed by the Governor; four appointed by legislative leaders
- Two students chosen by their peers (Chair and Vice Chair of Student Advisory Committee)
- Six non-voting, ex-officio members:
  - Four CT commissioners appointed by the Governor from the Departments of Public Health, Education, Economic and Community Development, and Labor
  - Chair and Vice Chair of the Faculty Advisory Committee

**REGENTS AS OF 6/30/19**

*(Three vacancies: one student regent; two legislative appointees.)*

Matt Fleury, Chair
Merle W. Harris, Vice Chair
Richard J. Balducci
Aviva D. Budd
Naomi K. Cohen
Felice Gray-Kemp
Holly Howery
David R. Jimenez
Pete Rosa (appointed September 2018)
JoAnn Ryan
Elease E. Wright
Elena Ruiz, Vice Chair of Student Advisory Committee

**EX-OFFICIO, NON-VOTING MEMBERS**

Del Cummings –Chair of the Faculty Advisory Committee
(term as Chair began 1/1/19; previously Vice Chair)
William Lugo – Vice Chair of the Faculty Advisory Committee
(term as Vice Chair began 1/1/19; previously Chair)
Kurt Westby – Commissioner of the CT Department of Labor
Dianna R. Wentzell – Commissioner of the State Department of Education
David Lehman – Commissioner of Department of Economic and Community Development
(joined March 2019)
Commissioner Renee D. Coleman-Mitchell – Commissioner of CT Department of Public Health
(joined April 2019)

**Former Board members (who served between 7/1/18 – 6/30/19)**
Yvette Meléndez, Vice Chair (left September 2018)
Sage Maier, SAC Chair (left May 2019)
Raul Pino – Commissioner of the CT Department of Public Health (left March 2019)
Catherine Smith – Commissioner of CT Department of Economic and Community Development
(left February 2019)

**Connecticut Community College Presidents 7/1/2018 through 6/30/2019[1]**

Asnuntuck Community College
170 Elm Street
Enfield, CT 06082
Dr. James Lombella, President

Capital Community College
950 Main Street
Hartford, CT 06103
Dr. Duncan Harris, Interim Campus CEO

Gateway Community College
20 Church Street
New Haven, CT 06510
Dr. Paul Broadie II, Interim President

Housatonic Community College
900 Lafayette Boulevard
Bridgeport, CT 06604
Dr. Paul Broadie II, President

Manchester Community College
Great Path
Manchester, CT 06045-1046
Dr. Tanya Millner-Harlee, Interim Campus CEO

Middlesex Community College
100 Training Hill Road
Middletown, CT 06457
Dr. Steven Minkler, Interim Campus CEO

Naugatuck Valley Community College
750 Chase Parkway
Waterbury, CT 06708
Dr. Daisy Cocco DeFilippis, President

Northwestern Connecticut
Community College
Park Place East, Winsted, CT 06098
Dr. Michael Rooke, President

Norwalk Community College
188 Richards Avenue
Norwalk, CT 06854
Dr. David L. Levinson, President

Quinebaug Valley Community College
742 Upper Maple Street
Danielson, CT 06239
Dr. Carlee Drummer, President

Three Rivers Community College
574 New London Turnpike
Norwich, CT 06360
Dr. Mary Ellen Jukoski, President

Tunxis Community College
271 Scott Swamp Road
Farmington, CT 06032
Dr. James Lombella, Interim President

System Office, Connecticut State Colleges & Universities (CSCU)
61 Woodland Street, Hartford, CT 06105
Mark E. Ojakian, CSCU President

[1] Where 6/30/2019 is last date, successor effective 7/1/2019 is also included.

## Introduction

The Management Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the Connecticut Community Colleges ("CCC" or "System") and its component units for the fiscal year ended June 30, 2019. This discussion has been prepared by and is the responsibility of management, and should be read in conjunction with the financial statements and footnote disclosures which follow this section.

The Board of Regents for Higher Education was established by the Connecticut General Assembly in 2011 (via Public Act 11-48 as amended by Public Act 11-61) bringing together the governance structure for the four Connecticut State Universities, twelve Connecticut Community Colleges and Charter Oak State College, effective July 1, 2011. The new Board of Regents for Higher Education is authorized under the provisions of this public act to "serve as the Board of Trustees for Community-Technical Colleges".

The Connecticut Community Colleges is a state-wide system of twelve regional community colleges. During the fall 2018 semester, 47,912 students enrolled in credit courses and Full-Time Equivalent ("FTE") enrollment was 27,709. During calendar year 2019, approximately 30,000 students also took a variety of non-credit skill-building programs. The CCC's offer two-year associate degrees and transfer programs, short-term certificates, and individual coursework in both credit and non-credit programs, often through partnerships with business and industry. In total, CCC employed approximately 2,000 full time employees at June 30, 2019.

The CCC system is composed of twelve institutions that make up the primary reporting entity. The primary reporting entity is financially accountable for the organizations that make up its legal entity. The System's twelve primary institutions include the following community colleges:

- Asnuntuck Community College ("Asnuntuck") in Enfield
- Capital Community College ("Capital") in Hartford
- Gateway Community College ("Gateway") in New Haven and North Haven
- Housatonic Community College ("Housatonic") in Bridgeport
- Manchester Community College ("Manchester") in Manchester
- Middlesex Community College ("Middlesex") in Middletown and Meriden
- Naugatuck Valley Community College ("Naugatuck Valley") in Waterbury and Danbury
- Northwestern Connecticut Community College ("Northwestern") in Winsted
- Norwalk Community College ("Norwalk") in Norwalk
- Quinebaug Valley Community College ("Quinebaug Valley") in Danielson and Willimantic
- Three Rivers Community College ("Three Rivers") in Norwich
- Tunxis Community College ("Tunxis") in Farmington and Bristol

The CCCs serve an important role in the State's economy, providing convenient, accessible and flexible access to higher education for many of the State's residents, including "non-traditional" students age 22 or older. Open admission to all individuals who have a high school degree or equivalency, an emphasis on low student tuition and fees, and a policy goal of making financial aid available to meet the direct costs of attendance for students who demonstrate financial need, help to ensure access to all students regardless of income. In addition to the twelve primary locations, several CCCs have satellite locations in city centers affording even easier access to students who may not have transportation to attend the main campus. Satellite locations include downtown Danbury, Meriden, and Willimantic. The financial results of these satellite locations are included in the reports of the main campus, or Naugatuck Valley, Middlesex, and Quinebaug Valley, respectively.

## Using the Financial Statements

CCC's financial report includes the following financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as defined by the Governmental Accounting Standards Board ("GASB"). GASB Statement No. 35 established standards for external financial reporting for public colleges and universities, and requires that financial statements be presented on a basis to focus on the financial condition, results of operations, and cash flows of the System as a whole. As required by GASB Statements No. 34 and 35, fiscal year 2019 financial statements and footnotes are presented for the CCC *primary institution*, as well as for certain other organizations that have a significant related party relationship with CCC (the "component units").

The component units are the twelve college foundations (the "Foundations") and the Great Path Academy ("GPA"), a magnet high school at Manchester Community College ("MCC"). Magnet high schools which are operating on CCC campuses are legally separate, tax-exempt non-profit organizations. Each magnet school established is evaluated for inclusion within the System financial statements as a component unit. The Great Path Academy (GPA) at MCC meets the criteria for inclusion as a component unit in the financial statements of CCC and is discretely presented and identified in a single column on the face of the CCC financial statements. The Foundations are legally independent, tax-exempt non-profit organizations separate from College control, founded to foster and promote the growth, progress and general welfare of the Colleges and to solicit, receive and administer donations for such purposes. The Foundations manage the majority of the Colleges' endowments. However, the assets of these component units are not available to CCC for use at its discretion. The MD&A discusses CCC's financial statements only and not those of its component units.

## Financial Highlights

The Connecticut Community Colleges had total assets of $903.5 million, liabilities of $1.7 billion, and a total net position balance of ($653.6) million at June 30, 2019. Of this amount, ($1.4) billion is classified as unrestricted net position, a $46.9 million decrease from 2018. The large negative balance in unrestricted net position is a result of the adoption of GASB 68 (Pensions) in fiscal year 2015 and GASB 75 (Other Post-Employment Benefits) in fiscal year 2018. Adoption of GASB 68 required the System to recognize a net liability for pension plans, which was previously disclosed only at the State level. The adoption of GASB 75 required the System to recognize the net liability for other post-employment benefits (OPEB). The offset to the net pension and OPEB liabilities was a reduction in unrestricted net position as further discussed below.

Total operating revenues from student tuition and fees, grants and contracts, and other college activities (net of scholarship allowances) were $133.9 million, a 7.1% decrease from the previous year. Operating expenses were $583.3 million, an increase of 1.4% from the previous year, resulting in an operating loss of $449.3 million during the year ended June 30, 2019. Net non-operating revenues and other changes were $390.3 million, up 3.2% from the previous year, which was primarily the result of an $11.7 million increase in state appropriations - general funds. Overall the CCC's experienced a decrease in net position of $59.0 million during fiscal year 2019.

Cash and cash equivalents were $137.0 million at June 30, 2019, including $20.1 million of cash equivalents in the form of unspent State bond appropriations administered by the CCC's, and $21.7 million of unspent State bond appropriations administered by the Department of Administration Services ("DAS") on behalf of the System. DAS-administered cash equivalents (bond appropriations) decreased by $4.6 million during the fiscal year ended June 30, 2019. Total current assets were $186.6 million at June 30, 2019. The current ratio identifies the amount of resources available to meet current obligations. This ratio of unrestricted current assets of $140.5 million to unrestricted current liabilities of $62.1 million is 2.2:1 in 2019, and was 2.3:1 in 2018. The current ratio reflects a financial position sufficient to provide short-term liquidity. However, as the State continues to address budget shortfalls over the next few years, management will continue to carefully monitor liquidity metrics. Non-current liabilities increased 1.0% from $1,644.0 billion at June 30, 2018 to $1,661.1 billion at June 30, 2019. This significant liability includes $795.7 million for the CCC allocation of the state pension plan obligation, $829.8 million for the CCC allocation of the state's OPEB obligation and $35.5 million for the long-term portion of the accrued value of benefits, other than pension and OPEB, earned by employees which must be paid out when they retire or otherwise terminate service in the future (net of the estimated amounts to be paid out in the upcoming year).

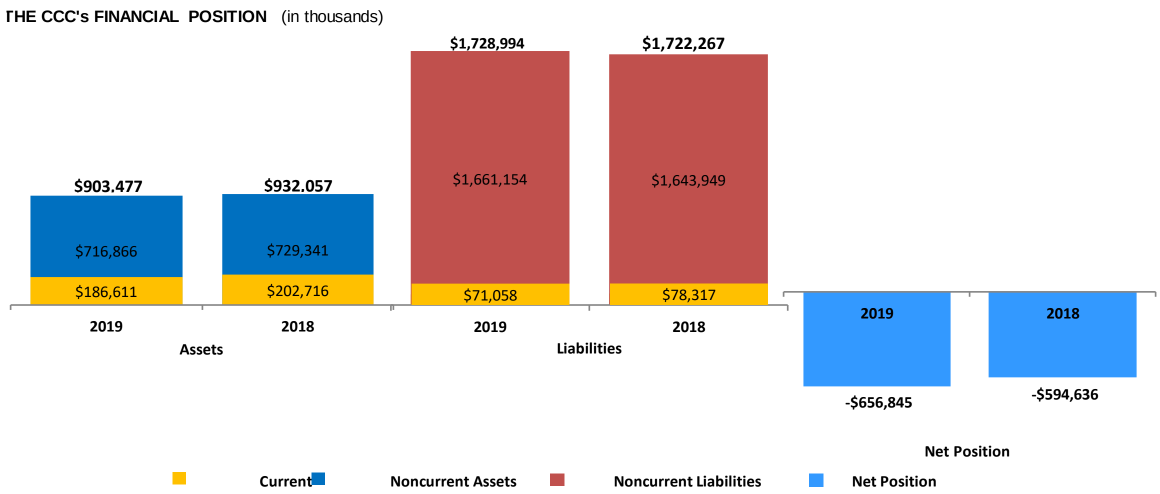
## Statement of Net Position

The Statement of Net Position presents the overall financial position of the System at the end of the fiscal year, and includes all assets and liabilities of the Connecticut Community Colleges, including capital assets net of depreciation. The change in Net Position is one indicator of whether the overall financial condition of CCC has improved or worsened during the year.

**Condensed Statements of Net Position**
**June 30, 2019 and 2018**
**(in thousands)**

| | 2019 | 2018 | % Change |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets | $ 186,611 | $ 202,716 | -7.9% |
| Non-current assets | 716,866 | 729,341 | -1.7% |
| Total assets | 903,477 | 932,057 | -3.1% |
| **DEFERRED OUTFLOWS OF RESOURCES** | 274,250 | 267,682 | 2.5% |
| **LIABILITIES** | | | |
| Current liabilities | 71,058 | 78,317 | -9.3% |
| Non-current liabilities | 1,661,154 | 1,643,949 | 1.0% |
| Total liabilities | 1,732,212 | 1,722,266 | 0.6% |
| **DEFERRED INFLOWS OF RESOURCES** | 102,360 | 72,109 | 42.0% |
| **NET POSITION** | | | |
| Invested in capital assets - net of related debt | 716,632 | 729,184 | -1.7% |
| Restricted nonexpendable | 20 | 20 | 0.0% |
| Restricted expendable | 40,209 | 42,910 | -6.3% |
| Unrestricted | (1,413,706) | (1,366,750) | -3.4% |
| Total net position | $ (656,845) | $ (594,636) | -10.5% |

*Current assets* consist of cash and cash equivalents and accounts receivable. The $16.1 million decrease in current assets from the previous year is largely attributable to a $10.4 million decrease in the cash equivalents. Cash equivalents fluctuate as sizeable building projects are funded and then expended over a period of two to three years. Investment of cash is handled by the State of Connecticut Treasurer's Office, which invests cash balances in a Short Term Investment Fund ("STIF") on behalf of State agencies. The CCC's do not carry any other separate investments.




*Non-current assets* decreased 1.7% from $729.3 million at June 30, 2018, to $716.8 million at June 30, 2019. Net capital assets account for all but $0.2 million of non-current assets, which represents student loan receivables. At June 30, 2019, capital assets in service totaled $1.1 billion, offset by $399.0 million in accumulated depreciation. The $12.9 million increase in capital assets included $7.7 million in building improvements.

Completed projects included $1.7 million for site improvement at Asnuntuck, $1.4 million for fire alarm systems at Naugatuck Valley, $1.3 million for a paving project at Middlesex, and $1.3 million for a roof replacement at Norwalk. Construction-In-Progress increased $3.8 million from $83.5 to $87.4 million. The increase included $11.5 million in additions less $7.6 million in transfers of completed projects.

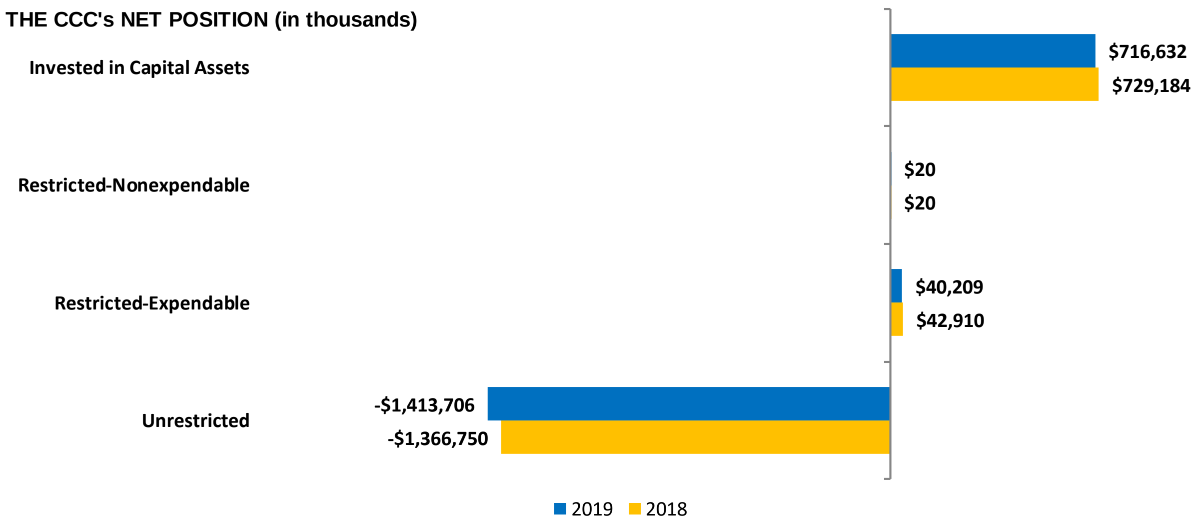
*Current liabilities* consist primarily of accrued payroll and related benefits of $43.7 million and unearned tuition, fees and grant revenue of $14.9 million, primarily collected in advance for late-summer and fall 2019 academic terms. Additional current liabilities include vendor accounts payable of $6.1 million, retainage of $3.1 million, and $3.1 million for the estimated value of accrued compensated absences that will be paid within the coming year to employees who terminate or retire.

*Non-current liabilities* consist almost exclusively of $795.7 million in pension liability, $829.8 million in OPEB liability and $35.5 million of long-term accrued compensated absences ("ACA") to be paid out to terminating employees over time in the future beyond one year. *Pension liabilities* represent the System's proportionate share of the State Employee Retirement System's (SERS) and the Teachers Retirement System's (TRS) net pension liability. *Other post-employment benefits* liability represents the System's proportionate share of the State's OPEB liability as a whole.

*Total liabilities* were $1.7 billion at the end of fiscal year 2019, which is comparable to total liabilities at the end of fiscal year 2018. This is driven primarily by the $36.3 million dollar increase in the net pension liability offset by an $18.0 million dollar decrease in OPEB liability. The total ACA liability of $38.7 million (long-term and current), pension liability of $795.7 million and OPEB liability of $829.7 million, represents approximately twelve times the existing unrestricted current assets that are available to pay for these previously earned employee benefits, and causes the reported unrestricted net position balance to be negative. In practice, however, much of these payouts are funded through current-year revenues rather than through existing net position.

*Deferred inflows and outflows of resources* are related to future periods. In the colleges financial statements this is primarily related to the impact of recognizing net pension and net OPEB liabilities. They reflect differences between projected and actual assumptions and earnings, changes in actuarial assumptions, changes in proportion and differences between contributions and the proportionate share of contributions and employer contributions subsequent to the measurement date.

The *total net position* includes $716.6 million *Invested in capital assets* net of depreciation. The Connecticut Community Colleges do not carry any capital debt, as property acquisitions, facility construction and major renovations are financed by capital appropriations made to one or more of the CCC's. Bonding and debt repayment are the responsibility of the State of Connecticut and are not reflected in the CCC financial statements. The Connecticut Community Colleges continue to implement a long-range capital plan to provide for new and renovated campus facilities necessary to meet academic program needs.




The $26.6 million in new bond fund appropriations in fiscal year 2019 was for System administered projects, repairs, and equipment. The System-administered dollars funded a variety of small projects and IT initiatives.

The CCC's have a minimal level of *Restricted-Nonexpendable* net position as the colleges do not generally carry any permanent endowment as a direct activity which is generally held by the supporting foundations. *Restricted-Expendable* net position here represents primarily bond fund appropriation balances at June 30, 2019 ($18.9 million in funds managed by the CCC's and $18.4 million for projects managed by DAS), funds held in restricted accounts pending distribution under the terms of the Board's collective bargaining agreement with its professional unions, as well as private gifts and donations, mostly for scholarships, whose revenues have been recognized but not yet expended. Changes in restricted-expendable net position are related primarily to the change in bond fund appropriation revenues and expenses in connection with various facility projects.

*Unrestricted net position* ("UNP") has shifted to a negative balance with the recognition of the pension and OPEB liabilities. Excluding the activity related to the actuarially determined net pension and OPEB liabilities, UNP decreased by $4.9 million to $39.9 million during fiscal year 2019. The table below illustrates the fluctuations in aggregate CCC UNP over the past five years adjusted for net pension liability beginning in fiscal year 2014 and net OPEB liability beginning in fiscal year 2017:

| | FY15 | FY16 | FY17 | FY18 | FY19 |
|---|---|---|---|---|---|
| UNP | $ 25.7 | $ 37.7 | $ 45.7 | $ 44.9 | $ 39.9 |
| UNP Adjusted | $ (475.9) | $ (466.0) | $ (1,374.8) | $ (1,366.8) | $ (1,413.7) |

**Statement of Revenues, Expenses and Changes in Net Position**

The Statement of Revenues, Expenses and Changes in Net Position presents CCC's results of operations, as well as the non-operating revenues and expenses. Total *operating revenues* for fiscal year 2019 were $133.9 million after the reduction for scholarship allowances, a decrease of 7.1% from $144.1 million in fiscal year 2018. *Student tuition and fees* represent the largest portion of operating revenue on a gross basis, but are offset by student financial aid and waivers resulting in net tuition and fee revenue of $98.2 million. This differs from budgetary practices, which recognize revenues on a gross basis without offset for scholarship allowances. On a gross basis, fiscal year 2019 tuition revenues decreased by 0.15% from the previous year. These revenues reflect an FTE credit enrollment decrease of 3.1% in fiscal year 2019.

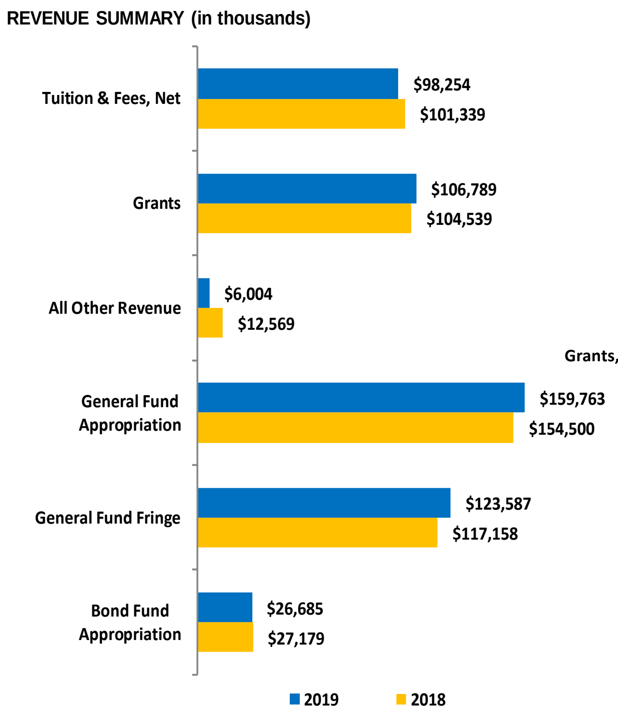
The Connecticut Community Colleges recorded an operating loss of $449.3 million during the year ended June 30, 2019. This results primarily from the fact that the State general fund appropriation and related fringe benefits, as well as State bond fund appropriations are classified as *non-operating revenues*, although the expenditure of these resources on personnel, non-capital equipment and depreciation are considered to be an operating expense. Other non-operating activity includes private gifts and donations, investment income earned on cash balances invested by the State treasurer's office, and non-mandatory transfers between individual colleges and the System Office. The State general fund appropriation for salaries increased by 3.4% and the associated revenues to cover fringe benefit costs increased by 5.5%, to $159.7 million and $123.5 million, respectively. Bond fund appropriation revenues decreased from $27.2 million in 2018 to $26.6 million in 2019. When the full value of the general fund appropriation and fringe benefits, capital appropriations, and other non-operating revenue and expense is taken into account, the System recorded a net decrease in net position of $58.9 million in 2019 compared with a $53.2 million decrease in 2018.

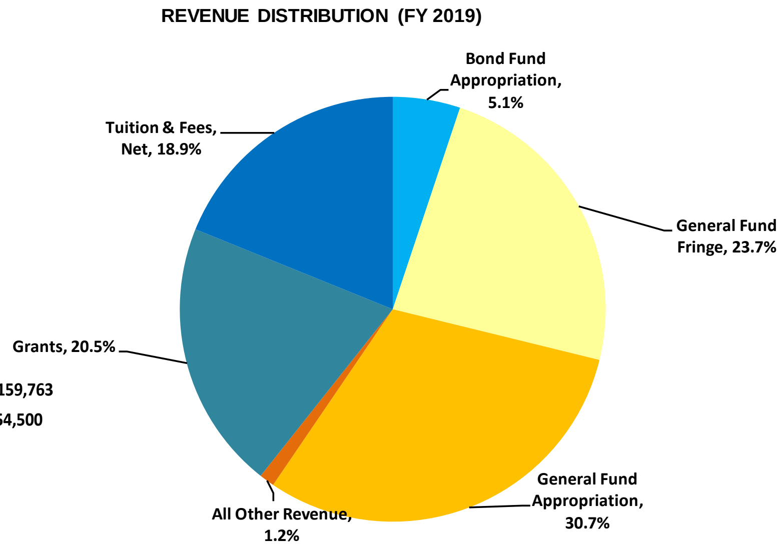
**Condensed Statements of Revenues, Expenses and Changes in Net Position**
**June 30, 2019 and 2018**
**(in thousands)**

| | 2019 | 2018 | % Change |
|---|---|---|---|
| **OPERATING REVENUES** | | | |
| Tuition and fees, net | $ 98,254 | $ 101,339 | -3.0% |
| Grants and contracts | 31,645 | 28,601 | 10.6% |
| Other operating revenues | 4,065 | 9,282 | -56.2% |
| Total operating revenues | 133,964 | 139,222 | -3.8% |
| **OPERATING EXPENSES** | | | |
| Expenses before depreciation | 552,769 | 539,026 | 2.5% |
| Depreciation | 30,522 | 31,417 | -2.8% |
| Total operating expenses | 583,291 | 570,443 | 2.3% |
| Operating loss | (449,327) | (431,221) | 4.2% |
| **NON-OPERATING REVENUES (EXPENSES)** | | | |
| State appropriations - general fund | 283,350 | 271,658 | 4.3% |
| State appropriations - bond fund | 26,685 | 27,179 | -1.8% |
| PELL grant revenue | 75,144 | 75,938 | -1.0% |
| Other nonoperating revenues, net | 1,939 | 3,287 | -41.0% |
| Total non-operating revenues | 387,118 | 378,062 | 2.4% |
| **NET POSITION** | | | |
| Change in net position | (62,209) | (53,159) | 17.0% |
| Net position, beginning of year | (594,636) | (541,477) | 9.8% |
| Net position, end of year | $ (656,845) | $ (594,636) | 10.5% |

*Government grant revenues* are comprised primarily of student financial aid programs including the Supplemental Education Opportunity Grant ("SEOG") programs. Other government grants include funding for various program-related activities. Grant revenues (which includes non-operating Pell grants) at June 30, 2019 were $106.8 million, an increase of $2.2 million from the previous fiscal year.

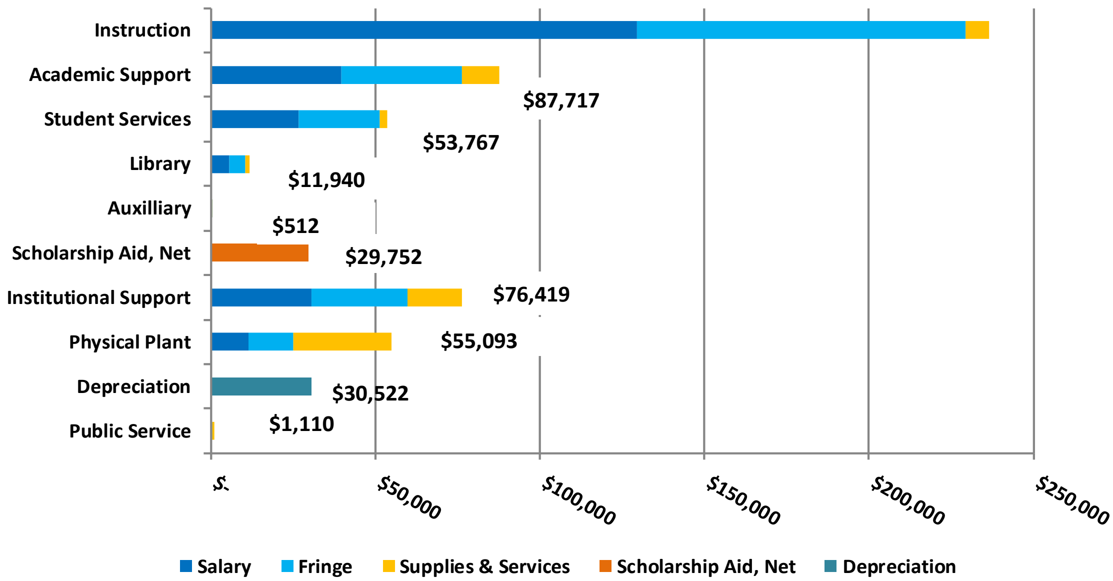
Other operating and non-operating revenues totaled $9.2 million, down from $12.6 million in 2018. Other revenues include sales or commission revenues from college- or vendor-operated cafeterias, bookstores, and daycare centers, early childhood education, food services, and private gifts and grants.



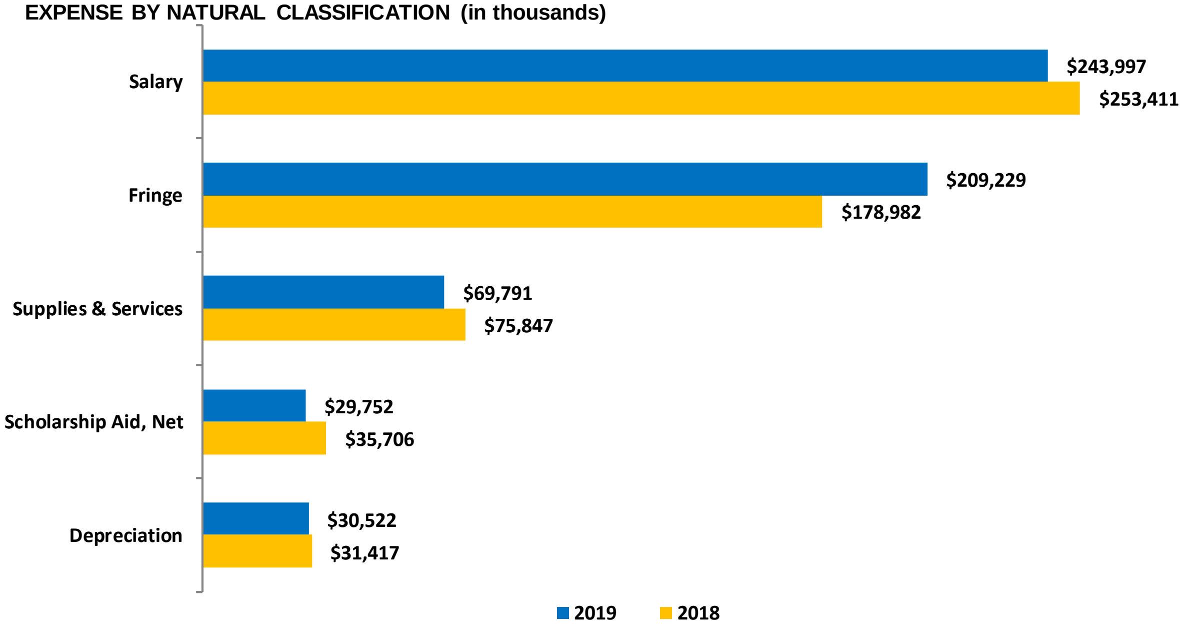




*Total operating expenses* for fiscal year 2019 were $583.3 million, after reductions for the amount of student financial aid and waivers applied to student tuition and fees. This reflects an operating expense increase of 2.3% from $570.4 million in fiscal year 2018. The $12.9 million increase in fiscal year 2019 is primarily due to the change in pension and OPEB expense booked in accordance with GASB 68 & 75 requirements. Without reflecting that expense, CCC operating expenses decreased to $541.3 million from $546.8 million in fiscal year 2018. Operating expenses include $453.2 million for salary and wages and related fringe benefits, or 77.7% of total operating expense. In addition, operating expenses include $29.7 million in net scholarship aid expense provided to students, $30.5 million in depreciation expense and $69.7 million for all other service and supply costs. Supplies and services include non-capital telecommunications and information technology-related services and supplies; premises and property-related expenses including utilities, security, maintenance and repairs, custodial and grounds, and all other non-personnel costs of operating the colleges.

OPERATING EXPENSES (in thousands)
by Program and Account Type




EXPENSE BY NATURAL CLASSIFICATION (in thousands)



## Statement of Cash Flows

The statement of cash flows presents the significant sources and uses of cash. Major sources of *operating activity* cash inflows include receipts of student tuition and fees of $95.2 million, down $2.8 million from 2018, and receipts from government grants and contracts of $26.6 million, down $2.7 million from 2018. Cash is also received from private grants and contracts, miscellaneous auxiliary and educational sales, and other activities. The largest operating cash outflows include salaries paid to employees of $249.7, up 2.4% from 2018, fringe benefits paid on behalf of employees of $167.9 million, up 11.6% from 2018, vendor payments of $75.0 million, down 13.6% from 2018 and payments to students of $36.5 million, up 4.9% from 2018. Payments to students includes financial aid grants and loans (in excess of the amounts applied to tuition and fee charges), student work study or other employment, and tuition and fee refunds. The increase in salaries paid is due to the SEBAC 2017 Agreement whereby a $2,000 one-time payment to all eligible employees was paid out in July 2018. Fringe benefits paid increased due to a one-time option for eligible employees to transfer from the Alternate Retirement Program to the State Employees Retirement System, which caused fringe rates to increase. Overall, net cash used by operating activities increased 5.7% during fiscal year 2019.

The largest inflow of cash related to *non-capital financing* is State appropriations, which were $300.6 million, including general fund appropriations to cover salaries and related fringe benefits, and the portion of bond appropriations expended for non-capitalized equipment, deferred maintenance and other non-capital items. Other non-capital financing cash inflows include Pell grants of $75.2 million, private gift receipts of $1.7 million and Federal Family Education Loan Program (FFELP) receipts of $9.9 million.

*Capital financing* cash flows result primarily from the receipt or reallocation of capital appropriations and from cash outlays made to purchase capital assets either by the CCC's directly, or by DAS on the System's behalf. During fiscal year 2019, capital financing net cash inflows of $14.8 million reflected the receipt of bond appropriations, $4.2 million of which was spent on college facility projects administered by DAS, and $13.7 million for repairs and maintenance, capital equipment and system technology initiatives at the colleges and System office. Cash provided by *investing activities* represents interest income earned on operating fund cash balances invested by the State treasurer on behalf of the System, and distributed quarterly. Cash inflows from the Short Term Investment Fund ("STIF") rose from $1.2 million in fiscal year 2018 to $1.4 million in fiscal year 2019.

### Condensed Statements of Cash Flows
**Year Ended June 30, 2019**
**(in thousands)**

| | 2019 | 2018 | % Change |
|---|---|---|---|
| **NET CASH PROVIDED BY (USED IN)** | | | |
| Operating activities | $(396,126) | $(374,638) | 5.7% |
| Noncapital financing activities | 387,537 | 365,580 | -6.0% |
| Capital and related financing activities | (3,221) | (17,924) | -82.0% |
| Investing activities | 1,425 | 1,249 | 14.1% |
| Net change in cash and cash equivalents | (10,385) | (25,733) | 59.6% |
| **CASH AND CASH EQUIVALENTS** | | | |
| Cash and cash equivalents, beginning of year | 147,397 | 173,130 | -14.9% |
| Cash and cash equivalents, end of year | $ 137,012 | $ 147,397 | -7.0% |

## Economic Outlook

As Connecticut enters a second decade of slow economic expansion, the fiscal and economic outlook for the Connecticut Community College system is mixed and uncertain. Enrollment is declining due to demographics – fewer graduating high school students – and intense competition regionally and nationally in the higher education sector. State support for the CCC system has not been able to make up for struggling tuition revenues due to the State's fiscal position and pressing need to address unfunded pension liabilities. As a result of these factors, the colleges have worked to reduce spending where possible in order to minimize use of reserves.

The higher education sector is facing a reckoning nationally around affordability, with student debt spiraling and the price of college rising well beyond the rate of inflation at many schools. Recent increases in unemployment as a result of the pandemic will exacerbate these challenges. However, the Connecticut Community College system has generally seen enrollment increases when unemployment is higher, as displaced workers seek education and certifications to improve their ability to find well-paid work as the economy recovers.

The CCC system has a number of major initiatives underway that position the colleges to meet the increased demand for education in an economic downturn, while improving student outcomes and bolstering the system's finances through increased enrollment.

First, the state of Connecticut recently adopted legislation creating a program to provide last-dollar financial aid intended to reduce the tuition costs for many of our students to zero. Called PACT – the Pledge to Advance Connecticut – this program is anticipated to add several thousand full-time students within a few years.

In addition, the Board of Regents has enacted and reaffirmed its commitment to a broad initiative called Students First. This initiative includes consolidation of the twelve community colleges into a single accredited institution. It also includes Guided Pathways, a national model that helps more students' efficiently complete credentials, transfer, and attain jobs in the labor market. The Guided Pathways approach ensures that all students develop an academic plan early in their college experience, have a clear road map of the courses they need, and receive consistent support to help them stay on track. Each pathway is based on a program of study that is aligned with specific employment goals and/or transfer.

The CCC Students First plan also includes several important cost savings initiatives. Shared services are being established or improved, creating opportunities for administrative savings in areas such as financial management, purchasing, and facilities. These back office consolidations are underway now.

## Additional Information

This financial report is designed to provide a general overview of CCC's finances and to show accountability for the funds it receives. Questions about this report or requests for additional financial information should be directed to the CSCU Chief Financial Officer, Connecticut State Colleges & Universities (860-723-0251). College-specific questions may also be directed to the Dean of Administration at each individual college.

Hold for Independent Auditor's Report

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Hold for Independent Auditor’s Report

Hold for Independent Auditor's Report

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# Connecticut Community Colleges
## Statement of Net Position
### Year Ended June 30, 2019

CSCU

| | | Primary Institution | | Component Unit Magnet High School |
|---|---|---|---|---|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | $ | 137,012,369 | $ | 1,525,500 |
| Accounts receivable, due from the State | | 30,141,227 | | 51,998 |
| Accounts receivable other, net | | 19,127,691 | | 260,790 |
| Prepaid expenses and other current assets | | 330,134 | | - |
| Total current assets | | 186,611,422 | | 1,838,288 |
| Non-current assets | | | | |
| Investment in plant | | 1,115,658,324 | | 32,322,939 |
| Accumulated depreciation | | (399,026,754) | | (8,832,521) |
| Investment in plant, net of accumulated depreciation | | 716,631,570 | | 23,490,418 |
| Student loans, net | | 234,279 | | - |
| Total non-current assets | | 716,865,849 | | 23,490,418 |
| Total assets | $ | 903,477,271 | $ | 25,328,706 |
| Deferred outflows of resources | | | | |
| Deferred pension | $ | 223,612,458 | $ | - |
| Deferred other post employment benefits | | 50,637,609 | | - |
| Total deferred outflows of resources | $ | 274,250,067 | $ | - |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | $ | 6,091,989 | $ | 224,262 |
| Accrued expenses - salary and fringe benefits | | 40,600,862 | | 52,397 |
| Accrued compensated absences - current portion | | 3,145,344 | | 2,578 |
| Unearned tuition and grant revenue | | 14,996,470 | | - |
| Retainage | | 3,363,748 | | - |
| Agency and loan fund liabilities | | 2,059,983 | | - |
| Other liabilities | | 799,862 | | - |
| Total current liabilities | | 71,058,258 | | 279,237 |
| Non-current liabilities | | | | |
| Pension liability, net | | 795,762,269 | | - |
| Other post employment benefits liability net | | 829,795,327 | | - |
| Accrued compensated absences - long term portion | | 35,554,815 | | 29,829 |
| Federal loan program advances | | 41,944 | | - |
| Total non-current liabilities | | 1,661,154,355 | | 29,829 |
| Total liabilities | $ | 1,732,212,613 | $ | 309,067 |
| Deferred inflows of resources | | | | |
| Deferred pension | $ | 25,095,368 | $ | - |
| Deferred other post employment benefits | | 77,264,341 | | - |
| Total deferred inflows of resources | $ | 102,359,709 | $ | - |
| Net position | | | | |
| Invested in capital assets, net | $ | 716,631,570 | $ | 23,490,418 |
| Restricted | | | | |
| Nonexpendable | | 20,000 | | - |
| Expendable | | 40,209,248 | | - |
| Unrestricted | | (1,413,705,802) | | 1,529,221 |
| Total net position | $ | (656,844,985) | $ | 25,019,639 |

The accompanying notes are an integral part of this financial statement.

CSCU

## Connecticut Community Colleges

Statement of Financial Position – Component Unit

June 30, 2019

| | | Component Unit Foundations |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $ | 4,413,908 |
| Accounts receivable, net | | 23,995 |
| Contributions receivable, net | | 1,361,167 |
| Prepaid expenses and other assets | | 68,640 |
| Investments | | 60,074,905 |
| Total assets | $ | 65,942,615 |
| Liabilities | | |
| Accounts payable and accrued expenses | $ | 694,373 |
| Annuities payable | | 41,920 |
| Scholarships payable | | 16,905 |
| Other liabilities | | 1,353,675 |
| Total liabilities | | 2,106,873 |
| Net Assets | | |
| Without donor restrictions | | 12,898,721 |
| With donor restrictions | | 50,937,021 |
| Total net assets | | 63,835,742 |
| Total liabilities and net assets | $ | 65,942,615 |

The accompanying notes are an integral part of this financial statement.

# Connecticut Community Colleges

Statement of Activities – Component Unit

June 30, 2019

CSCU

| | Primary Institution | Component Unit Magnet High School |
|---|---|---|
| Operating revenues | | |
| Student tuition and fees | $ 183,201,246 | $ - |
| Less: Scholarship discounts and allowances | (84,947,563) | - |
| Net tuition and fees | 98,253,683 | - |
| | | |
| Federal grants and contracts | 13,970,305 | 3,404,417 |
| State and local grants and contracts | 11,854,182 | - |
| Nongovernment grants and contracts | 5,820,452 | - |
| Auxiliary revenues | 564,095 | 103,660 |
| Other operating revenues | 3,500,862 | 1,074,437 |
| Total operating revenues | 133,963,580 | 4,582,514 |
| | | |
| Operating expenses | | |
| Salaries and wages | 243,996,943 | 2,914,781 |
| Fringe benefits | 209,229,334 | 1,244,387 |
| Professional services and fees | 8,829,036 | - |
| Educational services and support | 9,483,569 | - |
| Travel expenses | 2,575,083 | - |
| Operation of facilities | 29,787,785 | - |
| Other operating supplies and expenses | 19,115,879 | 449,011 |
| Scholarship aid, net | 29,751,640 | - |
| Depreciation expense | 30,521,990 | 846,220 |
| Total operating expenses | 583,291,258 | 5,454,399 |
| | | |
| Operating loss | (449,327,678) | (871,885) |
| | | |
| Nonoperating revenues | | |
| State appropriation - general fund | 283,350,238 | 809,181 |
| State appropriation - bond fund | 26,684,634 | - |
| Pell grant revenue | 75,144,201 | - |
| Investment income | 1,939,620 | - |
| Total nonoperating revenues | 387,118,694 | 809,181 |
| | | |
| Change in net position | (62,208,985) | (62,704) |
| | | |
| Net position, beginning of year | (594,636,000) | 25,082,343 |
| | | |
| Net position, end of year | $ (656,844,985) | $ 25,019,639 |

The accompanying notes are an integral part of this financial statement.

## Connecticut Community Colleges

Statement of Activities – Component Unit

June 30, 2019

| | | Component Unit Foundations |
|---|---|---|
| Revenue, capital gains and losses and other support | | |
| Gifts and grants | $ | 9,840,129 |
| Gifts in kind | | 3,600 |
| Events and activities | | 830,634 |
| Dividends and interest income (loss) | | (440,925) |
| Net realized and unrealized gain on investments | | 1,847,874 |
| Total revenue, capital gains and losses and other support | | 12,081,312 |
| Expenses | | |
| Fundraising events | $ | 938,531 |
| Campus facilities, projects and equipment | | 5,000 |
| Grants | | 478,130 |
| Program services | | 3,461,440 |
| Scholarships, awards, and financial aid | | 2,459,399 |
| Management and general | | 1,162,431 |
| College advancement | | 1,735,390 |
| Total expenses | | 10,240,321 |
| Change in net assets | | 1,840,991 |
| Net assets | | |
| Net assets at beginning of year | $ | 61,994,751 |
| Net assets at end of year | $ | 63,835,742 |

The accompanying notes are an integral part of this financial statement.

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## Connecticut Community Colleges
Statement of Cash Flows
June 30, 2019

CSCU

| | | Primary Institution |
|---|---|---|
| Cash flows from operating activities | | |
| Student tuition and fees | $ | 95,287,158 |
| Government grants and contracts | | 26,673,539 |
| Private grants and contracts | | 4,282,830 |
| Sales and services of educational departments | | 794,495 |
| Payments to employees | | (249,713,477) |
| Payments for fringe benefits | | (167,934,153) |
| Payments to students | | (36,546,921) |
| Payments to vendors | | (75,038,011) |
| Payments by Department of Construction Services (DCS) | | (306,619) |
| Other receipts, net | | 6,374,617 |
| Net cash used in operating activities | | (396,126,542) |
| Cash flows from investing activities | | |
| Interest income | | 1,425,962 |
| Net cash provided by investing activities | | 1,425,962 |
| Cash flows from capital and related financing activities | | |
| State appropriations | | 14,813,436 |
| Payments by Department of Construction Services (DCS) | | (4,236,093) |
| Purchase of capital assets | | (13,798,491) |
| Net cash used in capital and related financing activities | | (3,221,148) |
| Cash flows from noncapital financing activities | | |
| State appropriations | | 300,685,389 |
| Pell grants | | 75,217,632 |
| Private gifts | | 1,726,901 |
| Federal Family Education Loan Program (FFELP) | | 9,906,773 |
| Net cash provided by noncapital financing activities | | 387,536,695 |
| Net decrease in cash and cash equivalents | | (10,385,033) |
| Cash and cash equivalents at beginning of year | $ | 147,397,402 |
| Cash and cash equivalents at end of year | $ | 137,012,369 |
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating loss | $ | (449,327,678) |
| Adjustments to reconcile operating loss to net cash used in operating activities | | |
| Depreciation expense | | 30,521,990 |
| Loss on disposal of capital assets, net | | 872,645 |
| Operating application of FFELP receipts | | (9,906,773) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | | (2,325,655) |
| Prepaid expenses and other assets | | 6,956 |
| Accrued compensation and other | | (10,136,979) |
| Pension liability, net | | 36,383,269 |
| Other post-employment benefits liability | | (18,049,673) |
| Accounts payable and other liabilities | | 1,539,244 |
| Unearned tuition, fees and grant revenue | | 613,470 |
| Changes in deferred outflows and inflows of resources: | | |
| Deferred pension outflows | | 2,076,542 |
| Deferred other post-employment benefits outflows | | (8,644,609) |
| Deferred pension inflows | | 1,368 |
| Deferred other post-employment benefits inflows | | 30,249,341 |
| Net cash used in operating activities | $ | (396,126,542) |

The accompanying notes are an integral part of this financial statement.

## 1. Summary of Significant Accounting Policies

### Organization

The Connecticut State Colleges and Universities System ("CSCU") was established by the State of Connecticut (the "State") in 2011 via Public Act 11-48 as amended by Public Act 11-61. This brought together the governance structure for the Connecticut State University System ("CSU"), the Connecticut Community College System ("CCC" or "the Colleges") and Charter Oak State College ("COSC") under the newly formed Board of Regents for Higher Education. The financial statements presented herein represent only the financial activities of CCC. Separate financial statements are issued for CSU and COSC.

CSCU consists of seventeen separate institutions including four state universities, twelve community colleges and Charter Oak State College. The CSCU system offers associate degrees, baccalaureate, graduate and certificate programs, applied doctoral degree programs in education as well as short-term certificates and individual coursework in both credit and noncredit programs.

### Basis of Presentation

The financial statements for the CCC institutions have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"), as prescribed by the Government Accounting Standards Board ("GASB"). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The primary institutions that make up the financial statements include the CCC System Office ("SO") and the following community colleges: Asnuntuck Community College ("Asnuntuck"), Capital Community College ("Capital"), Gateway Community College ("Gateway"), Housatonic Community College ("Housatonic"), Manchester Community College ("Manchester"), Middlesex Community College ("Middlesex"), Naugatuck Valley Community College ("Naugatuck"), Northwestern Connecticut Community College ("Northwestern"), Norwalk Community College ("Norwalk"), Quinebaug Valley Community College ("Quinebaug"), Three Rivers Community College ("Three Rivers"), and Tunxis Community College ("Tunxis"), and their aggregate discretely presented component units.

CCC's financial statements include three statements: the statement of net position, the statement of revenues, expenses, and changes in net position and the statement of cash flows.

- The statement of net position present information on all of the system's assets, liabilities, deferred outflows and inflows, and net position.

- The statement of revenues, expenses and changes in net position present information showing how the incumbent system's net position changed during the fiscal years presented. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, certain revenues and expenses are reported in these statements for items that will only result in cash flows in future fiscal periods (e.g., the accrual for compensated absences).

- The statement of cash flows are presented using the direct method. The direct method of cash flow reporting portrays net cash flow from operations by major class of operating receipts and expenditures (e.g., payments to employees for salaries and benefits).

There are several legally separate, tax-exempt, affiliated organizations (the "Foundations" and the "magnet high school") which must be reported as component units of CCC and are presented discretely in these financial statements. The Foundations act primarily as fund-raising organizations to supplement the resources that are available to the Colleges in support of their programs. Although the Colleges do not control the timing or amount of receipts from the Foundations, the majority of resources or income thereon that the Foundations hold and invest is restricted to the activities of the Colleges by the donors. Since these restricted resources held by the Foundations can only be used by, or for the benefit of, the Colleges, the Foundations are considered component units of CCC primary institutions.

The Foundations are private nonprofit organizations that report under Financial Accounting Standards Board ("FASB") standards, which include guidelines for *Financial Reporting for Not-for-Profit Organizations.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in CCC's financial reporting entity for these differences. The disclosures included in the financial statements address only CCC and the magnet high school and not the related Foundations. Each of the foundations issues a separate audited financial statement which may be obtained by contacting the System's office at 61 Woodland Street, Hartford, CT 06105.

Great Path Academy ("GPA") is an inter-district magnet high school located on the Manchester Community College campus. GPA is discretely presented and identified in a single column as a component unit on the face of CCC's statement of net position and statement of revenues, expenses and changes in net position. CCC does not consider other magnet high schools to be component units of CCC primary institutions, because they are legally separate entities from CCC and they are separately managed and accounted for.

**Net Position**
Resources are classified for reporting purposes into the following four net position categories:

- **Invested in Capital Assets, Net of Related Debt**
  Capital assets, at historical cost or fair market value on date of gift, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Similar net assets are included in net assets without donor restrictions in the statements of the foundation component units.

- **Restricted Nonexpendable**
  Net position subject to externally imposed stipulations that they be maintained in perpetuity by CCC. Similar net assets are referred to as net assets with donor restrictions in the statements of the foundation component units.

- **Restricted Expendable**
  Net position whose use by CCC is subject to externally imposed stipulations that can be fulfilled by actions of CCC pursuant to those stipulations or that expire by the passage of time. Similar net assets are referred to as net assets with donor restrictions in the statements of the foundation component units.

- **Unrestricted**
  Net position that is not subject to externally imposed stipulations is considered unrestricted. Unrestricted net position may be designated for the specific purpose by actions of management or the Board of Regents ("BOR") or may otherwise be utilized to satisfy certain contractual agreements with outside parties. Substantially all unrestricted net position will be utilized for support for academic and research programs and initiatives, and capital programs.

**Classification of Assets and Liabilities**
CCC presents short-term and long-term assets and liabilities in the statement of net position. Short-term assets include balances with maturities of one year or less, and assets expected to be received or used within one year or less, from June 30. Long-term assets represent balances with maturities of greater than one year, and assets expected to be received or used after one year, from June 30. Cash and cash equivalents and investments presented as short-term in the statement of net position include balances with a maturity of one year or less from June 30. Long-term cash and cash equivalents and investments include balances with a maturity of greater than one year from June 30 and balances that have externally imposed restrictions as to use.

**Cash and Cash Equivalents**
Cash and cash equivalents consist of cash held by the state treasurer in a Short-Term Investment Fund ("STIF"), state general fund and capital appropriations, and petty cash. The STIF, stated at market value, is held on behalf of CCC by the State Treasurer and has original maturities of three months or less (see Note 2).

The largest inflow of cash related to non-capital financing is State appropriations and the portion of bond appropriations expended for non-capitalized equipment, deferred maintenance and other non-capital items. The appropriation is treated as a cash equivalent for accounting and reporting purposes, and is included in the cash flow statement.

**Fair Value of Financial Instruments**
Fair value approximates carrying value for cash and cash equivalents, notes and accounts receivable, accounts payable, accrued interest and deposits.

**Investment in Plant**
Capital assets of the primary institutions and magnet school are stated at historical cost or, in the case of donated property, at acquisition value at the date of the gift. Land, capitalized collections, and construction in progress are not depreciated. Depreciation of capital assets is calculated on a straight-line basis over the respective asset's estimated useful life.

Useful lives assigned to assets are as follows:

| Asset Class Description | Useful Life |
|---|---|
| Buildings | 40 years |
| Site & Building Improvements | 20 years |
| Technology | 5 years |
| Library Materials | 10 years |
| Vehicles | 10 years |
| Software | 5 years |
| Non-Collectible Artwork | 10 years |
| Other Equipment | 10 years |

CCC does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

Major construction projects for new physical plant and original equipment financed by the State capital outlay appropriations are managed and controlled by the Division of Construction Services of the State of Connecticut ("DCS").

Title to all assets, whether purchased, constructed or donated, is held physically by the State.

**Accrued Compensated Absences (ACA)**
Employees earn the right to be compensated during absences for vacation leave, sick leave and related fringe benefits. The accompanying statement of net position reflect the accrual for the amounts earned as of year-end.

**Pension & Other Post Employment Obligations**
The System records pension and other post-employment benefit obligations equal to the net liability for its defined benefit and retiree health plans. These net liabilities are measured as the total pension and health liability, less the amount of the respective plan's fiduciary net position. The total liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. Because there are other state entities participating in the plans, the net liability recorded by CCC is based on an allocation of the total net liability, as determined by an independent actuary.

Pension and other post-employment benefit expenses are recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows of resources and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

**Deferred Revenue**
Deferred revenue consists primarily of tuition and fees collected as of year-end for the upcoming summer or fall semesters.

**Tuition and Fees Revenue**
Student tuition and fee revenues are recognized in the period earned. Student tuition and fee revenue is presented net of scholarship aid applied to student accounts, while other financial aid refunded directly to students is presented as scholarship aid expenses. Student tuition, college services fees, student activity fees, extension credit and non-credit program fees, and other miscellaneous student fees, recorded as gross tuition and fee revenues, represent the largest portion of operating revenue, but are offset by student financial aid grants from federal, state, local and private sources as well as by institutional aid in the form of tuition remission and statutory and other tuition and fee waivers, used to pay off student tuition and fee charges, resulting in net tuition and fee revenue after scholarship allowances. The revenue for a summer session is split between the two fiscal years, with appropriate amounts being recognized in the accounting period in which they are earned or incurred and become measurable.

**Operating Activities**
Operating activities as reported on the statement of revenue, expenses and changes in net position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of CCC expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, including state appropriations, Pell grants, gifts and investment income.

**Income Taxes**
CCC is a component unit of the State and is exempt from federal and state income taxes under the doctrine of intergovernmental tax immunity found in the U.S. Constitution. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. CCC qualifies as a public charity eligible to receive charitable contributions under Section 170(b)(1)(A)(ii) of the Internal Revenue Code, as amended (the "Code").

**Use of Estimates**
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes at June 30 and revenues and expenses recognized during the reporting period. Major estimates include the accrual for employee compensated absences, pension and other post-employment benefit liabilities, estimated lives of capital assets and the allowances for doubtful accounts. Actual results could differ from those estimates.

**Component Units**
The component units represent the 12 college foundations (the "Foundations") and the Great Path Academy ("GPA"), a magnet high school at Manchester Community College ("MCC"). The GPA at MCC is a discretely presented component unit, identified in a single column on the CCC financial statements.

**GASB Pronouncements Effective for Fiscal Year 2019**
In November 2016, GASB released Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this statement is to address accounting for legally enforceable liabilities associated with the retirement and future activities of a capital asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, with earlier application encouraged. This standard was adopted in fiscal year 2019 and there was no impact as a result of the adoption.

**GASB Pronouncements Effective in Future Fiscal Years**
In January 2017, GASB released Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, with earlier application encouraged.

In June 2017, GASB released Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, with earlier application encouraged

**Subsequent Events**
In accordance with generally accepted accounting principles, CSCU has evaluated subsequent events for the period after June 30, 2019, through REPORT DATE, the date the financial statements were issued. The COVID-19 pandemic, whose effects first became known in January 2020, is

having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on CSCU's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on the economy, State appropriations, and enrollment, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact CCC's net position, changes in net position and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

## 2. Cash, Cash Equivalents and Investments

Cash and cash equivalents are invested in the State Treasurer's STIF, a combined investment pool of high quality, short-term money market instruments. CCC may add or withdraw monies on a daily basis with interest earned from date of deposit to date of withdrawal. The primary investment objectives of the STIF are the preservation of principal and the provision of liquidity to meet CCC's daily cash flow requirements.

The STIF is managed by investment managers in accordance with the investment guidelines established by the State Treasurer. These guidelines prohibit investment in derivative securities other than floating rate securities which vary in the same direction as individual short-term money market indices, and limit the ability to enter into reverse repurchase agreements in amounts not to exceed five percent (5%) of the STIF's net assets at the time of execution.

Cash and cash equivalents also include operating funds held by the State in a pooled, interest credit program which earns interest at a rate determined monthly by the Office of the State Treasurer. The interest rate at June 30, 2019 was 2.42%.

Cash, cash equivalents and investments at June 30 are as follows:

| | | 2019 |
|---|---|---|
| Cash | $ | 95,122,748 |
| Cash equivalents | | 41,889,621 |
| Cash and cash equivalents | $ | 137,012,369 |

Investments are pooled by the State and separate accounting is maintained as to the amounts allocable to the various funds and programs.

*Credit Risk* – Credit risk is the risk that an investor will lose money because of the default of the security issuer or investment counterparty. CCC is only invested in the State Treasurer's STIF, which is a combined investment pool of high quality, short-term money market instruments. There is low risk to these types of investments.

*Concentration of Credit Risk* – Concentration of credit risk is assumed to arise when the amount of investments with one issuer exceeds 5% or more of the total value of investments. 100% of CCC total cash, cash equivalents and investments were invested in the STIF or consist of State general fund and capital bond fund appropriations allocated to CCC as of June 30, 2019.

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Interest rate risk is managed by establishing targets for the preferred duration of the fixed income component of the investment portfolio by asset class by limiting investments through target allocations to different asset classes.

## 3. Accounts Receivable

Accounts receivable consist of the following at June 30:

| | | 2019 |
|---|---|---|
| Tuition and fees | $ | 12,520,808 |
| Less: allowance for doubtful accounts | | (5,166,054) |
| Student tuition and fee receivables, net | | 7,354,755 |
| Third-party contracts | | 2,194,521 |
| Government and private grants and contracts | | 5,644,273 |
| Other receivables | | 4,376,232 |
| Subtotal | | 12,215,027 |
| Less: allowance for doubtful accounts | | (442,090) |
| Other receivables, net | | 11,772,937 |
| Accounts receivable other, net | $ | 19,127,691 |

Student tuition and fees are due at a date established by each college not earlier than six weeks nor later than three weeks before the first day of classes unless other payment arrangements have been made. Any account not fully paid by the end of the term is entered into collections.

## 4. Capital Assets

Capital assets consist of the following at June 30:

| | Balance at June 30, 2018 | Additions | Disposals and Adjustments | Transfers | Balance at June 30, 2019 |
|---|---|---|---|---|---|
| Land and land/site improvements | $ 28,336,283 | $ 802,447 | $ - | $ 1,790,499 | $ 30,929,229 |
| Building and building improvements | 891,473,316 | 2,470,088 | (592,457) | 5,847,681 | 899,198,628 |
| Furniture and equipment | 90,290,570 | 4,873,541 | (2,407,658) | - | 92,756,453 |
| Library books | 5,060,160 | 961 | - | - | 5,061,121 |
| Software | 210,000 | 115,481 | (41,610) | - | 283,871 |
| | 1,015,370,329 | 8,262,518 | (3,041,725) | 7,638,180 | 1,028,229,302 |
| Less: accumulated depreciation | (369,727,213) | (30,521,990) | 1,222,449 | - | (399,026,754) |
| | 645,643,116 | (22,259,472) | (1,819,276) | 7,638,180 | 629,202,548 |
| Construction in progress | 83,540,938 | 11,526,264 | - | (7,638,180) | 87,429,022 |
| Capital assets, net | $ 729,184,054 | $ (10,733,208) | $ (1,819,276) | $ - | $ 716,631,570 |

## 5. Accrued Compensated Absences

Accrued compensated absences consist of the following at June 30:

| | | 2019 |
|---|---|---|
| Accrued vacation | $ | 16,001,873 |
| Accrued sick leave | | 12,336,050 |
| Other accrued fringe benefits | | 10,362,235 |
| Total accrued compensated absences | | 38,700,158 |
| Less: current portion | | (3,145,344) |
| Accrued compensated absences - non-current portion | $ | 35,554,815 |

Activity for compensated absences as of June 30 includes:

| | | 2019 |
|---|---|---|
| Balance as of June 30, 2018 | $ | 39,878,432 |
| Additions in 2019 | | 1,758,966 |
| Benefits paid to participants in 2019 | | (2,937,239) |
| Balance as of June 30, 2019 | $ | 38,700,158 |

These accruals represent amounts earned by all eligible employees through the end of the fiscal year. These accrued compensated absences ("ACA") will be settled over a number of years, and are not expected to have a significant impact on the future annual cash flows of the System. The current portion of ACA is estimated based on recent past history.

## 6. Related Parties

Periodically, public acts may be signed into law by the Governor stating that the Secretary of the Office of Policy and Management may approve monies to be transferred from CSCU's operating reserves to the State's General Fund. The CCC made no transfers to the State during fiscal year 2019.

The System Office administers certain activities centrally for the provision of management information systems and services to the Colleges. Primary among these activities are administration of certain system-wide information systems, telecommunications, capital projects planning and budgeting and technical support. Costs of such activities, including the allocation of funds to the Colleges from bond proceeds, are included in the activity of the System Office and supported by revenues from State appropriations and Colleges' tuition and fee revenues, which are allocated to the System Office through the budget allocation process. Such activities are eliminated in the statement of revenues, expenses and changes in net position.

Accrued salaries and related fringe benefit costs for CSCU employees within CCC, whose salaries will be charged to the State General Fund represent a related party balance. CCC has also recorded a receivable from the State related to allocated bond financing for capital projects when allotted by the Governor.

Amounts due from the State for the year ended June 30 are as follows:

| | | 2019 |
|---|---|---|
| Receivable for accrued salaries, interest and fringe benefits to be paid by State of Connecticut General Fund | $ | 30,141,227 |

The accompanying statements of net position includes balances among related parties. Significant balances for the year ended June 30 are as follows:

| | | 2019 |
|---|---|---|
| Cash balances held with the State of Connecticut on behalf of the CCC's | $ | 95,122,728 |

## 7. Commitments, Contingencies and Leases

CCC makes expenditures in connection with restricted government grants and contracts which are subject to final audit by government agencies. CCC is of the opinion that the amount of disallowances, if any, sustained through such audits would not materially affect the financial position of CCC.

CCC is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot presently be determined, management is of the opinion that eventual liability, if any, will not have a material effect on CCC's financial position.

CCC had outstanding purchase orders and related commitments for materials, services and capital expenditures that had not been received as of June 30. These commitments are not recorded as liabilities until materials or services are received. The commitments of total net position balances at June 30 were as follows:

| | 2019 |
|---|---|
| Asnuntuck Community College | $ 1,351,103 |
| Capital Community College | 411,440 |
| Gateway Community College | 442,356 |
| Housatonic Community College | 723,412 |
| Manchester Community College | 23,708 |
| Middlesex Community College | 571,377 |
| Naugatuck Valley Community College | 41,268 |
| Northwestern Connecticut Community College | 196,659 |
| Norwalk Community College | 461,550 |
| Quinebaug Valley Community College | 261,074 |
| System Office | 8,776,338 |
| Three Rivers Community College | 1,420,748 |
| Tunxis Community College | 253,572 |
| | 14,934,605 |

CCC is party to one non-cancellable operating lease contract entered into on July 1, 2012 by Gateway with the City of New Haven for parking in the Temple Street Parking Garage for $970,200 per year for 20 years.

Future minimum lease payments, all due over the next five fiscal years and thereafter under all existing operating lease contracts (cancellable and non-cancellable), are as follows (in thousands):

| | |
|---|---|
| Year ending June 30 | |
| 2020 | $ 2,075 |
| 2021 | 2,001 |
| 2022 | 1,961 |
| 2023 | 1,968 |
| 2024 | 1,968 |
| Thereafter | 9,881 |
| | 19,854 |

Rental and lease expense was $3.6 million for the year ended June 30, 2019.

## 8. Pension Plans

*Plan Description*
All regular full-time employees participate in one of two retirement plans. The State is statutorily responsible for the pension benefits of CSCU employees who participate in the State Employees' Retirement System ("SERS"). SERS is the administrator of a single employer defined benefit public employee retirement system ("PERS"). SERS provides retirement, disability, death benefits and cost of living adjustments to plan members and their beneficiaries. Plan benefits, cost of living adjustments, contribution requirements of plan members and the State and other plan provisions are described in agreements between the State and the State Employee Bargaining Agent Coalition ("SEBAC") as authorized by the General Statutes. SERS does not issue standalone financial reports. Information on the plan is currently publicly available in the State's Comprehensive Annual Financial Report prepared by the Office of the State Comptroller, and in annual actuarial valuations prepared by the State Retirement Commission.

Employees hired before July 1, 2011 participate in Tier I, Tier II, Tier IIA, or TRS depending on several factors.

Employees hired after July 1, 2011 but before July 31, 2017 were eligible to participate in Tier III or the Hybrid Plan, the 2 primary SERS plan options available (some employees are eligible to elect the Teachers Retirement System - "TRS"). The Hybrid Plan, which became effective July 1, 2011 under the 2011 agreement between the SEBAC, provides a retirement plan option for employees hired on or after July 1, 2011 in a position statutorily defined as a state teacher or a professional staff member in higher education. The Hybrid Plan is a defined benefit plan that provides members with a life-time defined benefit the same as the benefit provided under SERS Tier III with the option at the time of retirement to elect to receive a lump sum payment of their contributions with a 5% employer match and 4% interest in lieu of a defined benefit.

Employees hired after July 1, 2017 are eligible to participate in Tier IV as a result of the 2017 SEBAC agreement. The SERS Tier IV plan is comprised of both a traditional Defined Benefit component and a new Defined Contribution component. The Tier IV Defined Benefit component provides a pre-defined monthly retirement income for life, with the amount being affected by years of service, retirement age, and the member's final average earnings for members that satisfy the Tier IV minimum age and service eligibility requirements. The Tier IV Defined Contribution component establishes an account consisting of an accumulation of employee and employer contributions both set equal to 1%, as well as investment gains or losses. Each Tier IV member will have an account with the third party administrator of the State Alternate Retirement Program ("ARP"). CSCU makes contributions on behalf of the employees in SERS plans through a fringe benefit charge assessed by the State.

Alternatively, employees may choose to participate in the ARP, which is a defined contribution plan managed by Prudential. Under this arrangement, plan participants contribute 6.5% of their pay, or they can opt out of the 6.5% and contribute 5% and the State contributes 6.5% to individual participants' investment accounts managed by Prudential. CSCU pays a fringe benefit charge to the State, which includes the 6.5% employer contribution, employee health benefits and an administrative charge. The aforementioned 2011 SEBAC agreement provided CSCU employees who were both hired before July 1, 2011 and participating in ARP with a one-time irrevocable option through December 31, 2018 of electing to transfer their membership from ARP to the Hybrid Plan and purchasing credit in the Hybrid Plan for their prior services at full actuarial cost.

*Funding Policy*
The contribution requirements of plan members and the State are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining.

Tier I Plan B regular and Plan B Hazardous Duty members are required to contribute 2% and 4% of their annual salary up to the Social Security Taxable Wage Base, respectively, plus 5% above that level. Tier I Plan C and Hybrid Plan members are required to contribute 5% of their annual salary. Tier IIA Plan and Tier III Plan regular and Hazardous Duty members are required to contribute 2% and 5% of their annual salaries, respectively. Tier IV employees contribute 5% of their salary (8% for hybrid and hazardous duty members) plus 1% into the defined contribution component.

The State is required to contribute at an actuarially determined rate, which may be reduced or increased by an act of the State legislature. The rate was 64.30% for SERS and 41.84% for TRS for the fiscal year ended June 30, 2019. The State contributed $51.3 million and $1.3 million, on behalf of the System, for SERS and TRS, respectively, for fiscal year 2019, equal to 100.0% and 53.1%, respectively, of the required contributions that year.

*Net Pension Liability*
The Systems' net pension liability is valued one year in arrears. The net pension liability recorded in the financial statements as of June 30, 2019 was measured and valued as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by the most current actuarial valuation as of that date. The System's proportion of the net pension liability was based on a projection of the System's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities and the State, actuarially determined. For the TRS plan, the CCC System's proportion was 0.19% as of June 30, 2019. For the SERS plan, the CCC System's proportion was 3.55% as of June 30, 2019.

All SERS and TRS assets are available to pay any participants benefits. However, the portion of each plan's net pension liability attributable to the CCC System is calculated separately. The net pension liability for the CCC System as of June 30, 2019 for SERS and TRS was $770.5 million and $25.3 million, respectively.

*Actuarial Assumptions for SERS:*
The total pension liability was determined using the following actuarial assumptions, applied to all periods:

| Measurement Year | 2018 |
|---|---|
| Inflation | 2.50% |
| Salary increases including inflation | 3.50% to 19.50% |
| Investment rate of return net of pension plan investment expense, including inflation | 6.90% |

Mortality rates were based on the RP-2014 White Collar Mortality Table projected to 2020 by scale BB at 100% for males and 95% for females.

The actuarial assumptions used in the June 30, 2018 valuation (which was the basis for recording the June 30, 2019 financial statement liabilities) were based on the results of the actuarial experience study as of June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. The best estimates of geometric rates of return for each major asset class as of the 2018 measurement date are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Large Cap U.S. Equities | 21% | 5.8% |
| Developed Non-U.S. Equities | 18% | 6.6% |
| Emerging Market (Non-U.S.) | 9% | 8.3% |
| Real Estate | 7% | 5.1% |
| Private Equity | 11% | 7.6% |
| Alternative Investments | 8% | 4.1% |
| Fixed Income | 8% | 1.3% |
| High Yield Bonds | 5% | 3.9% |
| Emerging Market Bond | 4% | 3.7% |
| TIPS | 5% | 1.0% |
| Cash | 4% | 0.4% |
| | 100% | |

*Actuarial Assumptions for TRS:*
The total pension liability was determined using the following actuarial assumptions, applied to all periods:

| Measurement Year | 2018 |
|---|---|
| Inflation | 2.75% |
| Salary increases including inflation | 3.25% to 6.50% |
| Investment rate of return net of pension plan investment expense, including inflation | 8.00% |

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Large Cap U.S. Equities | 21% | 5.8% |
| Developed Non-U.S. Equities | 18% | 6.6% |
| Emerging Market (Non-U.S.) | 9% | 8.3% |
| Real Estate | 7% | 5.1% |
| Private Equity | 11% | 7.6% |
| Alternative Investments | 8% | 4.1% |
| Fixed Income | 7% | 1.3% |
| High Yield Bonds | 5% | 3.9% |
| Emerging Market Bond | 5% | 3.7% |
| Inflation Linked Bonds | 3% | 1.0% |
| Cash | 6% | 0.4% |
| | 100% | |

*Discount Rate for SERS:*
The discount rate used to measure the total pension liability was 6.9% in the 2018 measurement year. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the State's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Discount Rate for TRS:*
The discount rate used to measure the total pension liability was 8.0% in the 2018 measurement year. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of Net Pension Liability to Changes in Discount Rate*
The following table presents the current-period net pension liability of the CCC System calculated using the current-period discount rate assumption of 6.9% for SERS and 8.0% for TRS, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

| | 1% Decrease (SERS-5.9%) (TRS-7.0%) | Current Discount (SERS-6.9%) (TRS-8.0%) | 1% Increase (SERS-7.9%) (TRS-9.0%) |
|---|---|---|---|
| SERS | $ 919,449,353 | $ 770,504,174 | $ 646,225,687 |
| TRS | 31,921,699 | 25,258,143 | 19,622,974 |

*Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Defined Benefit Pension Plan*
For the year ended June 30, 2019, the CCC System recognized pension expense of $36.0 million for SERS and $2.4 million for TRS. A schedule of deferred outflows and inflows of resources as of June 30, 2019 is presented in Note 13. The net amount of deferred outflows and deferred inflows of resources related to the pensions attributed to the CCC System that will be recognized in pension expense during the next five years is as follows:

| | SERS | TRS | Total |
|---|---|---|---|
| 2020 | $ 50,317,270 | $ 2,704,454 | $ 53,021,724 |
| 2021 | 41,908,193 | 2,333,621 | 44,241,814 |
| 2022 | 21,415,300 | 1,678,452 | 23,093,752 |
| 2023 | 1,516,964 | 1,888,906 | 3,405,870 |
| 2024 | 2,076,086 | 1,629,994 | 3,706,080 |
| Thereafter | - | 490,795 | 490,795 |
| **Total** | **$ 117,233,813** | **$ 10,726,222** | **$ 127,960,035** |

## 9. Other Post-Employment Benefits

The State provides post-retirement health care and life insurance benefits to eligible CSCU employees, in accordance with Sections 5-257(d) and 5-259(a) of the Connecticut General Statutes. When employees retire, the State pays up to 100% of their health care insurance premium cost (including the cost of dependent coverage). This benefit is available to retirees of the State Employees' Retirement System and participants in the Connecticut Alternate Retirement Program who meet certain age and service criteria.

The State also pays 100% of the premium cost for a portion of the employee's life insurance continued after retirement. The amount of life insurance continued at no cost to the retiree is determined in a formula based on the number of years of State service that the retiree had at the time of retirement. The State finances the cost of post-retirement health care and life insurance benefits

There is a single State sponsored defined benefit OPEB plan open to CSCU employees, the State Employee OPEB Plan ("SEOPEBP"). The State Comptroller's Healthcare Policy and Benefits Division under the direction of the Connecticut State Employees Retirement Commission administers the SEOPEBP. The membership of the commission is composed of the State Treasurer or designee, who is a nonvoting ex-officio member; fifteen trustees, including six trustees representing state employees; six trustees representing state management; two trustees who are professional actuaries and one neutral trustee who serves as chairman. Also, the State Comptroller, ex officio, serves as the nonvoting secretary. The Governor makes all appointments except the employee trustees, who are selected by employee bargaining agents. Management and employee trustees make the appointments of the chairman and the actuarial trustee positions.

*Plan Description*
SEOPEBP is a single-employer defined benefit OPEB plan that covers retired employees of CSCU who are receiving benefits from any State-sponsored retirement system. The plan provides healthcare and life insurance benefits to eligible retirees and their spouses. Plan benefits, required contributions of plan participants and the State, and other plan provisions are described in Sections 5-257 and 5-259 of the General Statutes.

*Funding Policy*
The contribution requirements of the plan members and the State are established and may be amended by the State legislature, or by agreement between the State and employees' unions, upon approval by the State legislature. The cost of providing plan benefits is financed approximately 100% by the State on a pay-as-you-go basis through an annual appropriation in the General fund outside of the CSCU entities. CSCU contributes and helps fund the annual appropriation based upon a designated fringe rate established by the State.

*Investments*
The State Treasurer employs several outside consulting firms as external money and investment managers, to assist the State's Chief Investment Officer, as they manage the investment programs of the SEOPEBP. Plan assets are managed primarily through assets allocation decisions with the main objective being to maximize investment returns over the long term at an acceptable level of risk. There is no concentration of investments in any one organization that represents 5.0% or more of plan net position available for benefits. The following is the asset allocation policy as of June 30, 2019:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Large Cap U.S. Equities | 21% | 5.8% |
| Developed Non-U.S. Equities | 18% | 6.6% |
| Emerging Market (Non-U.S.) | 9% | 8.3% |
| Real Estate | 7% | 5.1% |
| Private Equity | 11% | 7.6% |
| Alternative Investments | 8% | 4.1% |
| Fixed Income | 8% | 1.3% |
| High Yield Bonds | 5% | 3.9% |
| Emerging Market Bond | 4% | 3.7% |
| Inflation Linked Bonds | 5% | 1.0% |
| Cash | 4% | 0.4% |
| | 100% | |

*Net OPEB Liability*

The Systems' net OPEB liability is valued one year in arrears. The net OPEB liability recorded in the financial statements as of June 30, 2019 of $829.8 million was measured and valued as of June 30, 2018 and the total liability used to calculate the net liability was determined by the most current actuarial valuation as of that date. The System's proportion of the net OPEB liability was based on a projection of the System's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities and the State, actuarially determined.

For the SEOPEBP plan, at June 30, 2019 the System's proportion was 4.8%. All plan assets are available to pay any participants benefits. However, the portion of each plan's net liability attributable to CSCU is calculated separately. The net liability for the CCC System as of June 30, 2019 for SEOPEBP was $829.8 million.

*Actuarial Assumptions:*

The total OPEB liability was determined by actuarial valuations as of June 30, 2018, using the following actuarial assumptions:

| **Measurement Year** | **2018** |
|---|---|
| Payroll growth rate | 3.50% |
| Salary increases | 3.25% to 19.50% varying by years of service and retirement system |
| Discount rate | 3.95% as of June 30, 2018 and 3.68% as of June 30, 2017 |
| Healthcare cost trend rates: | |
| Medical | 6.5% graded to 4.5% over 4 years |
| Prescription drug | 8.0% graded to 4.5% over 7 years |
| Dental and Part B | 4.50% |
| Administrative expense | 3.00% |

Mortality rates for the SEOPEBP were based on the RP-2000 Healthy Annuitant Mortality Table for male rates projected 15 years (set back 2 years) and female rates projected 25 years (set back one year) under Scale AA.

The discount rate used to measure the total OPEB liability for SEOPEBP was 3.95%. The projection of cash flows used to determine the discount was performed in accordance with GASB pronouncements.

The following presents the current period net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate and healthcare cost trend rate that is 1% lower or 1% higher than the current rate utilized:

**Discount rate comparison:**

| | 1% Decrease (2.95%) | Current Discount (3.95%) | 1% Increase (4.95%) |
|---|---|---|---|
| Net OPEB Liability | $ 962,501,995 | $ 829,795,335 | $ 722,029,015 |

**Health care trend rate comparison:**

| | 1% Decrease in Trend Rates<br>Medical: 5.5% graded to 3.5% over 4 years<br>Prescripion Drug: 7.0% graded to 3.5% over 7 years<br>Dental and Part B: 3.5%<br>Administrative expense: 2.0% | Current Trend Rates<br>Medical: 6.5% graded to 4.5% over 4 years<br>Prescripion Drug: 8.0% graded to 4.5% over 7 years<br>Dental and Part B: 4.5%<br>Administrative expense: 3.0% | 1% Increase in Trend Rates<br>Medical: 7.5% graded to 5.5% over 4 years<br>Prescripion Drug: 9.0% graded to 5.5% over 7 years<br>Dental and Part B: 5.5%<br>Administrative expense: 4.0% |
|---|---|---|---|
| Net OPEB Liability | $ 706,793,365 | $ 829,795,335 | $ 985,656,616 |

*OPEB Expense, Deferred Outflows and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2019, the CCC System recognized OPEB expense of $49.5 million. A schedule of deferred outflows and inflows of resources as of June 30, 2019 is presented in Note 13. The net amount of deferred outflows and deferred inflows of resources related to OPEB attributed to the CCC System that will be recognized in pension expense during the next five years is as follows:

| | OPEB | Total |
|---|---|---|
| 2020 | $ (18,651,894) | $ (18,651,894) |
| 2021 | (18,651,894) | (18,651,894) |
| 2022 | (18,651,990) | (18,651,990) |
| 2023 | (12,867,183) | (12,867,183) |
| 2024 | (3,756,059) | (3,756,059) |

## 10. Unearned Tuition, Fees and Grant Revenue

Unearned tuition and fees and grants and contracts revenue for the year ended June 30 are as follows:

| | 2019 |
|---|---|
| Unearned tuition and fees | $ 7,998,336 |
| Grants and contracts | 6,617,716 |
| Unapplied payments | 380,418 |
| Total unearned tuition and grant revenue | $ 14,996,470 |

## 11. Natural Classification with Functional Classification

The operating expenses by functional classification for the year ended June 30, 2019 are summarized as follows:

| | Salaries and wages | Fringe benefits | Professional services and fees | Educational services and support | Travel expenses | Operation of facilities | Other operating supplies and expenses | Scholarship aid, net | Depreciation expense | Total operating expenses |
|---|---|---|---|---|---|---|---|---|---|---|
| Academic support | $ 39,859,009 | $ 36,353,562 | $ 668,188 | $ 2,408,088 | $ 1,800,167 | $ 909,435 | $ 5,718,356 | $ - | $ - | $ 87,716,806 |
| Auxilliary enterprises | 99,866 | 81,516 | 172,319 | 1,075 | 30 | 31,394 | 126,046 | - | - | 512,247 |
| Institutional support | 30,559,916 | 29,398,213 | 5,264,338 | 544,500 | 359,180 | 503,198 | 9,789,456 | - | - | 76,418,800 |
| Instruction | 129,434,417 | 100,043,848 | 534,818 | 4,371,097 | 185,055 | 309,894 | 1,579,753 | - | - | 236,458,882 |
| Library | 5,735,943 | 4,803,499 | 372,005 | 768,695 | 9,128 | 30,364 | 220,728 | - | - | 11,940,363 |
| Physical plant | 11,420,779 | 13,795,768 | 1,188,529 | 20,358 | 29,537 | 27,861,378 | 776,926 | - | 30,521,990 | 85,615,265 |
| Public service | 224,119 | 168,040 | 107,026 | 403,238 | 10,419 | 3,960 | 193,131 | - | - | 1,109,933 |
| Scholarship aid | - | - | - | - | - | - | - | 29,751,640 | - | 29,751,640 |
| Student services | 26,662,894 | 24,584,888 | 521,813 | 966,518 | 181,566 | 138,162 | 711,480 | - | - | 53,767,321 |
| | $ 243,996,943 | $ 209,229,334 | $ 8,829,036 | $ 9,483,569 | $ 2,575,082 | $ 29,787,785 | $ 19,115,879 | $ 29,751,640 | $ 30,521,990 | $ 583,291,257 |

## 12. Bonds Payable

The State, through acts of its legislature, provides funding for certain major plant facilities of the System. The State obtains its funds for these construction projects from general obligation bonds, which it issues from time to time. The State is responsible for all repayments of the bonds in accordance with bond indentures.

Debt service on bonds issued by the State to finance educational and general facilities is funded by the general fund of the State, which is in the custody of the State Treasurer. These bonds do not require repayment by CCC and, accordingly, the State's debt obligation attributable to CCC educational and general facilities is not reported as CCC debt in the accompanying financial statements.

## 13. Deferred Outflows and Inflows of Resources

Deferred outflows and deferred inflows of resources consisted of the following as of June 30, 2019:

| As of June 30, 2019 | SERS | TRS | OPEB | Total |
|---|---|---|---|---|
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Difference between expected and actual experience | $ 27,196,000 | $ - | $ - | $ 27,196,000 |
| Changes of assumptions or other inputs | 83,955,085 | 2,375,791 | - | 86,330,876 |
| Net difference between projected and actual earnings on pension plan investements | - | 467,063 | - | 467,063 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 28,027,996 | 11,033,559 | 4,750,635 | 43,812,190 |
| Employer contributions after measurement date | 68,401,915 | 2,155,049 | 45,886,974 | 116,443,938 |
| **Total** | **$ 207,580,996** | **$ 16,031,462** | **$ 50,637,609** | **$ 274,250,067** |
| | | | $ - | |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Difference between expected and actual experience | $ - | $ 1,042,732 | $ - | $ 1,042,732 |
| Changes of assumptions or other inputs | - | - | 43,874,511 | 43,874,511 |
| Net difference between projected and actual earnings on pension plan investments | 2,415,634 | - | 333,468 | 2,749,102 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 19,529,544 | 2,107,458 | 33,056,362 | 54,693,364 |
| **Total** | **$ 21,945,178** | **$ 3,150,190** | **$ 77,264,341** | **$ 102,359,709** |

**REQUIRED SUPPLEMENTARY INFORMATION**

**Connecticut Community Colleges**
Schedule of Net Pension Liability and Related Ratios (Unaudited)
Years Ended June 30, 2019, 2018, 2017, 2016, 2015 and 2014

CSCU

### Schedule of Net Pension Liability and Related Ratios
### State Employee Retirement System Plan
Last 10 Fiscal Years [1]
(in thousands)

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| CCC System's proportion of the net pension liability | 3.55% | 3.55% | 3.61% | 3.60% | 3.38% | 3.24% |
| CCC System's proportionate share of the net pension liability | $ 770,504 | $ 747,249 | $ 829,328 | $ 594,978 | $ 540,627 | $ 537,772 |
| CCC System's covered-employee payroll | $ 121,796 | $ 136,569 | $ 134,378 | $ 130,285 | $ 117,737 | $ 108,775 |
| CCC System's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 633% | 547% | 617% | 457% | 459% | 494% |
| Plan Fiduciary net position as a percentage of the total pension liability | 36.62% | 36.25% | 31.69% | 39.23% | 39.54% | N/A [1] |

### Teachers Retirement System Plan
Last 10 Fiscal Years [1]
(in thousands)

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| CCC System's proportion of the net pension liability | 0.19% | 0.09% | 0.09% | 0.11% | 0.11% | 0.11% |
| CCC System's proportionate share of the net pension liability | $ 25,258 | $ 12,130 | $ 12,798 | $ 12,018 | $ 11,109 | $ 12,253 |
| State's proportionate share of the net pension liability associated with the System | $ 25,258 | $ 12,130 | $ 12,798 | $ 12,018 | $ 11,094 | N/A [1] |
| Total | $ 50,516 | $ 24,260 | $ 25,596 | $ 24,036 | $ 22,203 | $ 12,253 |
| CCC System's covered-employee payroll | $ 6,578 | $ 3,549 | $ 3,549 | $ 4,327 | $ 4,197 | $ 4,001 |
| CCC System's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 384% | 342% | 361% | 278% | 265% | 306% |
| Plan Fiduciary net position as a percentage of the total pension liability | 57.69% | 55.93% | 52.26% | 59.50% | 61.56% | N/A [1] |

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

### Schedule of Net Other Post Employment Benefits Liability and Related Ratios

Last 10 Fiscal Years [1]

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| System's proportion of the net OPEB liability | 4.81% | 3.90% | 4.03% |
| System's proportionate share of the net OPEB liability | $ 834,514,351 | $ 841,977,711 | $ 869,278,680 |
| System's covered-employee payroll | $ 194,411,536 | $ 200,795,770 | $ 206,023,378 |
| System's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 429% | 419% | N/A |
| Plan Fiduciary net position as a percentage of the total OPEB liability | 4.69% | 3.03% | 1.94% |

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

## Connecticut Community Colleges

Schedule of Contributions (Unaudited)

Years Ended June 30, 2019, 2018, 2017, 2016, 2015 and 2014

### State Employee Retirement System Plan

Last 10 Fiscal Years [1]

(in thousands)

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| Contractually required contribution | $ 51,270 | $ 55,136 | $ 54,676 | $ 49,636 | $ 42,837 | $ 34,343 |
| Contributions in relation to the contractually required contribution | (51,270) | (54,695) | (54,239) | (49,388) | (42,837) | (34,309) |
| Contribution deficiency (excess) | $ - | $ 441 | $ 437 | $ 248 | $ - | $ 34 |
| CCC System's covered-employee payroll | $ 121,796 | $ 136,569 | $ 136,569 | $ 130,285 | $ 117,737 | $ 108,775 |
| Contributions as a percentage of covered employee payroll | 42.09% | 40.05% | 39.72% | 37.91% | 36.38% | 31.54% |

### Teachers Retirement System Plan

Last 10 Fiscal Years [1]

(in thousands)

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Contractually required contribution | $ 2,441 | $ 909 | $ 876 | $ 1,078 | $ 1,039 |
| Contributions in relation to the contractually required contribution | (1,296) | (551) | (1,613) | (1,970) | (1,927) |
| Contribution deficiency (excess) | $ 1,145 | $ 358 | $ (737) | $ (892) | $ (888) |
| CCC System's covered-employee payroll | $ 6,578 | $ 3,549 | $ 3,549 | $ 4,327 | $ 4,197 |
| Contributions as a percentage of covered employee payroll | 19.70% | 15.53% | 45.45% | 45.53% | 45.91% |

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

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## Other Post Employment Benefits

Last 10 Fiscal Years [1]

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Contractually required contribution | 38,542,153 | 32,590,354 | 30,682,270 |
| Contributions in relation to the contractually required contribution | (38,542,153) | (32,590,354) | (30,682,270) |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| System's covered-employee payroll | $ 194,411,536 | $ 200,795,770 | $ 206,023,378 |
| Contributions as a percentage of covered employee payroll | 19.83% | 16.23% | 14.89% |

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

**1. Changes in Benefit Terms**

Pension Plans

There were no changes for the June 30, 2018 valuation.

State Employee OPEB Plan

For the June 30, 2018 valuation, the following assumptions were updated:

- o The discount rate was updated in accordance with GASB Statement No. 75 to 3.95%

## SUPPLEMENTARY SCHEDULES

# Connecticut Community Colleges

## Combining Statement of Net Position

June 30, 2019

DRAFT-5/27

CSCU

| | Asnuntuck Community College | Capital Community College | Gateway Community College | Housatonic Community College | Manchester Community College | Middlesex Community College | Naugatuck Valley Community College | Northwestern Connecticut Community College | Norwalk Community College | Quinebaug Valley Community College | Three Rivers Community College | Tunxis Community College | System Office | Combined Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | | | | | |
| Current assets | | | | | | | | | | | | | | |
| Cash and cash equivalents | $ 5,612,132 | $ 3,746,329 | $ 2,104,274 | $ 17,998,670 | $ 10,903,129 | $ 5,131,239 | $ 12,531,801 | $ 3,531,158 | $ 14,761,663 | $ 9,588,905 | $ 12,283,655 | $ 4,524,668 | $ 34,294,746 | $ 137,012,369 |
| Accounts receivable, due from the State | 1,203,630 | 2,392,344 | 3,426,118 | 2,684,928 | 3,730,640 | 1,704,130 | 4,069,525 | 1,239,302 | 3,221,907 | 1,182,259 | 2,289,199 | 2,075,423 | 921,822 | 30,141,227 |
| Accounts receivable other, net | 882,362 | 2,572,416 | 1,894,552 | 1,575,142 | 2,021,733 | 759,366 | 2,475,527 | 288,434 | 1,021,024 | 417,496 | 1,745,339 | 1,376,084 | 2,098,215 | 19,127,691 |
| Prepaid expenses and other current assets | 3,447 | 429 | 883 | 8,860 | 11,536 | 36,898 | 25,926 | 667 | 1,416 | 921 | 3,261 | 2,752 | 233,140 | 330,134 |
| Total current assets | 7,701,571 | 8,711,519 | 7,425,827 | 22,267,600 | 16,667,038 | 7,631,633 | 19,102,778 | 5,059,562 | 19,006,010 | 11,189,582 | 16,321,454 | 7,978,927 | 37,547,923 | 186,611,422 |
| Non-current assets | | | | | | | | | | | | | | |
| Investment in plant | 46,392,783 | 73,017,830 | 198,495,725 | 149,357,842 | 113,840,426 | 21,851,187 | 160,421,119 | 62,216,088 | 72,641,104 | 29,691,837 | 99,072,304 | 63,871,770 | 24,788,310 | 1,115,658,324 |
| Accumulated depreciation | (9,504,820) | (33,235,351) | (42,197,209) | (37,438,043) | (59,730,544) | (13,945,118) | (75,885,920) | (15,473,554) | (28,686,238) | (10,863,086) | (31,030,735) | (21,158,359) | (19,877,777) | (399,026,754) |
| Investment in plant, net of accumulated depreciation | 36,887,963 | 39,782,479 | 156,298,516 | 111,919,799 | 54,109,883 | 7,906,069 | 84,535,199 | 46,742,534 | 43,954,867 | 18,828,751 | 68,041,569 | 42,713,410 | 4,910,533 | 716,631,570 |
| Student loans, net | 153,084 | - | - | - | - | 4,505 | - | - | - | - | - | 76,691 | - | 234,279 |
| Total non-current assets | 37,041,047 | 39,782,479 | 156,298,516 | 111,919,799 | 54,109,883 | 7,910,574 | 84,535,199 | 46,742,534 | 43,954,867 | 18,828,751 | 68,041,569 | 42,790,101 | 4,910,533 | 716,865,849 |
| Total assets | $ 44,742,618 | $ 48,493,998 | $ 163,724,343 | $ 134,187,398 | $ 70,776,921 | $ 15,542,206 | $ 103,637,976 | $ 51,802,095 | $ 62,960,876 | $ 30,018,332 | $ 84,363,023 | $ 50,769,028 | $ 42,458,456 | $ 903,477,271 |
| Deferred outflows of resources | | | | | | | | | | | | | | |
| Deferred pension | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 223,612,458 | $ 223,612,458 |
| Deferred other post employment benefits | - | - | - | - | - | - | - | - | - | - | - | - | 50,637,609 | 50,637,609 |
| Total deferred outflows of resources | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 274,250,067 | $ 274,250,067 |
| **Liabilities** | | | | | | | | | | | | | | |
| Current liabilities | | | | | | | | | | | | | | |
| Accounts payable | $ 1,052,661 | $ 304,883 | $ 297,761 | $ 405,431 | $ 146,593 | $ 514,934 | $ 406,363 | $ 167,623 | $ 635,121 | $ 135,816 | $ 357,265 | $ 471,078 | $ 1,196,461 | $ 6,091,989 |
| Accrued expenses - salary and fringe benefits | 1,705,395 | 3,042,514 | 5,040,001 | 3,553,298 | 4,784,621 | 2,247,171 | 5,256,726 | 1,457,662 | 4,563,567 | 1,396,728 | 3,289,287 | 3,011,727 | 1,252,167 | 40,600,862 |
| Accrued compensated absences - current portion | 137,466 | 234,006 | 325,582 | 246,892 | 301,663 | 163,559 | 372,291 | 125,100 | 307,159 | 105,113 | 230,702 | 248,692 | 347,121 | 3,145,344 |
| Unearned tuition and grant revenue | 175,362 | 1,632,078 | 1,371,163 | 705,612 | 1,973,233 | 1,158,027 | 1,633,657 | 222,491 | 1,275,431 | 168,657 | 796,141 | 958,479 | 2,926,139 | 14,996,470 |
| Retainage | - | - | - | 1,426,156 | - | - | 145,823 | 1,791,769 | - | - | - | - | - | 3,363,748 |
| Agency and loan fund liabilities | 35,269 | 108,524 | 265,792 | 89,089 | 229,116 | 192,123 | 358,624 | 52,197 | 303,830 | 50,065 | 228,885 | 146,468 | - | 2,059,983 |
| Other liabilities | 34,968 | 56,981 | 105,845 | 75,545 | 121,350 | 50,134 | 51,648 | 1,874 | 177,221 | 8,425 | 60,502 | 55,369 | - | 799,862 |
| Total current liabilities | 3,141,121 | 5,378,984 | 7,406,144 | 6,502,023 | 7,556,576 | 4,325,946 | 8,225,132 | 3,818,716 | 7,262,329 | 1,864,803 | 4,962,782 | 4,891,813 | 5,721,888 | 71,058,258 |
| Non-current liabilities | | | | | | | | | | | | | | |
| Pension liability, net | - | - | - | - | - | - | - | - | - | - | - | - | 795,762,269 | 795,762,269 |
| Other post employment benefits liability net | - | - | - | - | - | - | - | - | - | - | - | - | 829,795,327 | 829,795,327 |
| Accrued compensated absences - long term portion | 1,542,499 | 2,638,406 | 3,692,781 | 2,793,226 | 3,425,396 | 1,853,086 | 4,222,525 | 1,399,344 | 3,484,189 | 1,203,328 | 2,621,542 | 2,780,572 | 3,897,920 | 35,554,815 |
| Federal loan program advances | - | - | - | - | - | - | - | - | - | - | - | 41,944 | - | 41,944 |
| Total non-current liabilities | 1,542,499 | 2,638,406 | 3,692,781 | 2,793,226 | 3,425,396 | 1,853,086 | 4,222,525 | 1,399,344 | 3,484,189 | 1,203,328 | 2,621,542 | 2,822,517 | 1,629,455,516 | 1,661,154,355 |
| Total liabilities | $ 4,683,620 | $ 8,017,390 | $ 11,098,925 | $ 9,295,250 | $ 10,981,972 | $ 6,179,032 | $ 12,447,657 | $ 5,218,060 | $ 10,746,517 | $ 3,068,132 | $ 7,584,324 | $ 7,714,330 | $ 1,635,177,405 | $ 1,732,212,613 |
| Deferred inflows of resources | | | | | | | | | | | | | | |
| Deferred pension | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 25,095,368 | $ 25,095,368 |
| Deferred other post employment benefits | - | - | - | - | - | - | - | - | - | - | - | - | 77,264,341 | 77,264,341 |
| Total deferred inflows of resources | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 102,359,709 | $ 102,359,709 |
| **Net position** | | | | | | | | | | | | | | |
| Invested in capital assets, net | $ 36,887,963 | $ 39,782,479 | $ 156,298,516 | $ 111,919,799 | $ 54,109,883 | $ 7,906,069 | $ 84,535,199 | $ 46,742,534 | $ 43,954,867 | $ 18,828,751 | $ 68,041,569 | $ 42,713,410 | $ 4,910,533 | $ 716,631,570 |
| Restricted | | | | | | | | | | | | | | |
| Nonexpendable | - | - | - | 20,000 | - | - | - | - | - | - | - | - | - | 20,000 |
| Expendable | 2,564,433 | 5,535,477 | 682,636 | 2,719,868 | 349,706 | 332,234 | 1,703,677 | 232,649 | 6,406,426 | 960,485 | 1,025,297 | 1,160,707 | 16,535,654 | 40,209,248 |
| Unrestricted | 606,602 | (4,841,348) | (4,355,733) | 10,232,482 | 5,335,361 | 1,124,871 | 4,951,444 | (391,148) | 1,853,066 | 7,160,965 | 7,711,834 | (819,419) | (1,442,274,777) | (1,413,705,802) |
| Total net position | $ 40,058,998 | $ 40,476,607 | $ 152,625,418 | $ 124,892,149 | $ 59,794,949 | $ 9,363,174 | $ 91,190,320 | $ 46,584,036 | $ 52,214,359 | $ 26,950,200 | $ 76,778,699 | $ 43,054,698 | $ (1,420,828,591) | $ (656,844,985) |

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# Connecticut Community Colleges

## Combining Statement of Revenues, Expenses and Changes in Net Position

### Year Ended June 30, 2019

| | Asnuntuck Community College | Capital Community College | Gateway Community College | Housatonic Community College | Manchester Community College | Middlesex Community College | Naugatuck Valley Community College | Northwestern Connecticut Community College | Norwalk Community College | Quinebaug Valley Community College | Three Rivers Community College | Tunxis Community College | System Office | Combined Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating revenues | | | | | | | | | | | | | | |
| Student tuition and fees | $ 7,962,329 | $ 12,681,558 | $ 26,123,895 | $ 17,551,673 | $ 22,960,384 | $ 9,818,889 | $ 24,144,039 | $ 4,299,984 | $ 21,989,910 | $ 5,047,075 | $ 14,667,219 | $ 15,718,358 | $ 235,933 | $ 183,201,246 |
| Less: Scholarship discounts and allowances | (3,588,637) | (7,479,229) | (12,704,169) | (10,144,074) | (9,591,727) | (3,961,577) | (10,118,728) | (2,250,017) | (8,706,770) | (2,591,019) | (7,238,620) | (6,572,995) | - | (84,947,563) |
| Net tuition and fees | 4,373,692 | 5,202,329 | 13,419,726 | 7,407,598 | 13,368,657 | 5,857,312 | 14,025,310 | 2,049,967 | 13,283,140 | 2,456,056 | 7,428,599 | 9,145,362 | 235,933 | 98,253,683 |
| Federal grants and contracts | 606,478 | 1,298,128 | 1,016,627 | 1,158,195 | 1,645,245 | 283,413 | 3,928,093 | 724,108 | 1,376,579 | 203,527 | 566,029 | 1,135,626 | 28,259 | 13,970,305 |
| State and local grants and contracts | 376,393 | 812,733 | 2,200,640 | 1,418,704 | 1,183,865 | 498,790 | 1,874,719 | 240,754 | 1,140,825 | 327,775 | 787,986 | 830,381 | 160,616 | 11,854,182 |
| Nongovernment grants and contracts | 298,588 | 601,202 | 241,438 | 807,768 | 479,697 | 95,993 | 432,812 | 180,526 | 1,844,919 | 396,110 | 325,903 | 101,626 | 13,871 | 5,820,452 |
| Auxiliary revenues | - | - | 169,430 | - | 87,341 | - | - | - | - | - | 307,324 | - | - | 564,095 |
| Other operating revenues | 166,409 | 129,877 | 388,129 | 446,929 | 300,944 | 105,714 | 397,729 | 30,959 | 362,859 | 64,868 | 477,429 | 430,311 | 198,706 | 3,500,862 |
| Total operating revenues | 5,821,559 | 8,044,269 | 17,435,991 | 11,239,195 | 17,065,748 | 6,841,221 | 20,658,663 | 3,226,315 | 18,008,321 | 3,448,338 | 9,893,270 | 11,643,306 | 637,384 | 133,963,580 |
| Operating expenses | | | | | | | | | | | | | | |
| Salaries and wages | 11,198,390 | 18,368,521 | 30,659,726 | 21,722,935 | 26,969,190 | 12,279,709 | 31,733,521 | 8,668,228 | 25,821,150 | 8,405,128 | 18,329,350 | 18,703,506 | 11,137,590 | 243,996,943 |
| Fringe benefits | 7,568,830 | 13,159,525 | 20,095,694 | 15,364,011 | 19,256,220 | 8,176,915 | 23,299,091 | 6,215,088 | 15,647,622 | 5,742,151 | 12,541,319 | 12,314,946 | 49,847,921 | 209,229,334 |
| Professional services and fees | 600,928 | 330,933 | 841,069 | 712,814 | 790,195 | 433,162 | 735,766 | 173,074 | 521,993 | 595,023 | 600,334 | 434,260 | 2,059,486 | 8,829,036 |
| Educational services and support | 638,136 | 742,794 | 679,725 | 923,820 | 844,650 | 1,053,637 | 1,037,816 | 377,928 | 561,842 | 378,320 | 423,449 | 803,129 | 1,018,323 | 9,483,569 |
| Travel expenses | 157,274 | 169,295 | 202,142 | 289,906 | 296,849 | 133,981 | 172,080 | 106,025 | 280,430 | 70,050 | 188,255 | 189,279 | 319,515 | 2,575,083 |
| Operation of facilities | 1,174,817 | 2,375,985 | 6,048,141 | 4,386,283 | 1,959,410 | 1,083,710 | 2,513,164 | 1,031,645 | 4,108,975 | 908,709 | 1,955,047 | 1,963,326 | 278,571 | 29,787,785 |
| Other operating supplies and expenses | 1,792,915 | 441,757 | 1,341,270 | 993,462 | 1,059,259 | 739,797 | 1,423,896 | 457,171 | 1,518,952 | 474,050 | 758,044 | 1,337,435 | 6,777,872 | 19,115,879 |
| Scholarship aid, net | 1,123,428 | 2,390,674 | 4,023,385 | 3,245,562 | 3,197,850 | 1,279,205 | 5,003,196 | 455,178 | 3,870,996 | 847,982 | 1,877,246 | 2,185,109 | 251,831 | 29,751,640 |
| Depreciation expense | 2,115,123 | 2,042,623 | 5,359,521 | 2,758,959 | 3,121,235 | 875,633 | 3,753,562 | 1,108,004 | 1,862,565 | 1,057,992 | 2,830,391 | 1,610,569 | 2,025,813 | 30,521,990 |
| Total operating expenses | 26,369,842 | 40,022,106 | 69,250,670 | 50,397,751 | 57,494,857 | 26,055,749 | 69,672,092 | 18,592,342 | 54,194,526 | 18,479,405 | 39,503,436 | 39,541,559 | 73,716,922 | 583,291,258 |
| Operating loss | (20,548,283) | (31,977,837) | (51,814,679) | (39,158,557) | (40,429,109) | (19,214,528) | (49,013,429) | (15,366,027) | (36,186,205) | (15,031,067) | (29,610,167) | (27,898,253) | (73,079,538) | (449,327,678) |
| | | | | | | | | | | | | | | - |
| Nonoperating revenues | | | | | | | | | | | | | | |
| State appropriation - general fund | 12,638,253 | 21,295,417 | 33,354,449 | 24,518,634 | 31,135,503 | 13,457,851 | 36,991,192 | 10,988,590 | 24,681,045 | 10,041,922 | 20,821,569 | 19,263,327 | 24,162,487 | 283,350,238 |
| State appropriation - bond fund | 3,599,580 | 304,135 | 1,040,539 | 1,342,582 | 208,241 | 893,665 | 706,356 | 574,840 | 1,246,261 | 801,509 | 1,558,162 | 720,100 | 13,688,663 | 26,684,634 |
| Pell grant revenue | 2,950,983 | 6,655,679 | 11,023,093 | 9,359,738 | 8,274,897 | 3,363,752 | 9,781,077 | 1,690,355 | 7,682,024 | 2,297,395 | 5,953,519 | 6,111,688 | - | 75,144,201 |
| Investment income | 18,791 | 1,391 | 36,995 | 305,807 | 259,045 | 91,546 | 239,810 | 37,330 | 196,927 | 163,689 | 251,797 | 29,509 | 306,985 | 1,939,620 |
| Total nonoperating revenues | 19,207,606 | 28,256,623 | 45,455,076 | 35,526,762 | 39,877,686 | 17,806,814 | 47,718,434 | 13,291,115 | 33,806,257 | 13,304,514 | 28,585,047 | 26,124,624 | 38,158,134 | 387,118,694 |
| Loss before other changes in net position | (1,340,676) | (3,721,214) | (6,359,604) | (3,631,795) | (551,423) | (1,407,713) | (1,294,994) | (2,074,912) | (2,379,949) | (1,726,553) | (1,025,119) | (1,773,629) | (34,921,404) | (62,208,985) |
| Other changes in net position | | | | | | | | | | | | | | |
| Capital and other additions (deductions) | 2,692,186 | 1,148,154 | 5,088 | (105,612) | 278,768 | 1,166,795 | 283,626 | 927,986 | 1,152,805 | 355,992 | 337,557 | 37,636 | (8,280,982) | - |
| Interagency transfers | 680,488 | (692,333) | (404,067) | (670,444) | (2,090,396) | 695,092 | (2,594,311) | 686,961 | 772,502 | 1,326,760 | (714,738) | 21,690 | 2,982,795 | - |
| Total other changes in net position | 3,372,674 | 455,821 | (398,978) | (776,056) | (1,811,628) | 1,861,887 | (2,310,685) | 1,614,948 | 1,925,308 | 1,682,752 | (377,181) | 59,326 | (5,298,187) | - |
| Change in net postiion | 2,031,998 | (3,265,393) | (6,758,582) | (4,407,851) | (2,363,051) | 454,174 | (3,605,680) | (459,964) | (454,641) | (43,800) | (1,402,301) | (1,714,302) | (40,219,591) | (62,208,985) |
| Net position, beginning of year | 38,027,000 | 43,742,000 | 159,384,000 | 129,300,000 | 62,158,000 | 8,909,000 | 94,796,000 | 47,044,000 | 52,669,000 | 26,994,000 | 78,181,000 | 44,769,000 | (1,380,609,000) | (594,636,000) |
| Net position, end of year | $ 40,058,998 | $ 40,476,607 | $ 152,625,418 | $ 124,892,149 | $ 59,794,949 | $ 9,363,174 | $ 91,190,320 | $ 46,584,036 | $ 52,214,359 | $ 26,950,200 | $ 76,778,699 | $ 43,054,698 | $ (1,420,828,591) | $ (656,844,985) |

# Connecticut Community Colleges

## Combining Statement of Cash Flows

Year Ended June 30, 2019

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| | Asnuntuck Community College | Capital Community College | Gateway Community College | Housatonic Community College | Manchester Community College | Middlesex Community College | Naugatuck Valley Community College | Northwestern Connecticut Community College | Norwalk Community College | Quinebaug Valley Community College | Three Rivers Community College | Tunxis Community College | System Office | Combined Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | | | | | | | | | | |
| Student tuition and fees | $ 3,753,784 | 5,243,705 | 13,054,611 | 7,261,662 | 12,855,563 | 6,084,646 | 13,318,515 | 1,984,750 | 13,496,912 | 2,328,420 | 7,326,418 | 8,125,760 | 452,412 | $ 95,287,158 |
| Government grants and contracts | 1,037,890 | 2,154,881 | 3,439,960 | 2,770,937 | 2,764,455 | 791,837 | 6,140,643 | 866,603 | 2,545,071 | 664,488 | 1,380,518 | 1,990,172 | 126,084 | 26,673,539 |
| Private grants and contracts | 86,850 | 674,235 | 269,611 | 640,849 | 198,347 | 47,550 | 467,943 | 77,819 | 994,104 | 209,983 | 301,251 | 68,800 | 245,488 | 4,282,830 |
| Sales and services of educational departments | 18,135 | 25,461 | 42,996 | 120,553 | 114,359 | 3,820 | 132,847 | - | 196,278 | - | - | 140,046 | - | 794,495 |
| Payments to employees | (11,321,196) | (18,955,886) | (31,098,397) | (22,332,620) | (27,969,140) | (12,425,371) | (32,473,636) | (8,831,368) | (26,346,078) | (8,885,678) | (18,481,100) | (19,153,787) | (11,439,220) | (249,713,477) |
| Payments for fringe benefits | (7,551,081) | (13,058,377) | (20,341,247) | (15,229,961) | (19,490,548) | (8,190,261) | (23,383,305) | (6,280,135) | (15,894,752) | (5,849,600) | (12,593,060) | (12,508,493) | (7,563,333) | (167,934,153) |
| Payments to students | (2,129,326) | (2,991,402) | (4,375,579) | (3,522,236) | (3,837,938) | (1,819,204) | (5,297,827) | (851,228) | (4,706,590) | (817,709) | (2,983,668) | (3,076,612) | (137,602) | (36,546,921) |
| Payments to vendors | (3,847,298) | (4,636,412) | (9,835,725) | (8,329,057) | (5,425,209) | (3,478,236) | (6,536,102) | (2,218,134) | (7,233,298) | (2,628,647) | (4,840,750) | (5,295,877) | (10,733,266) | (75,038,011) |
| Payments by Department of Construction Services (DCS) | - | - | - | - | - | - | - | - | (85,052) | - | - | - | (221,567) | (306,619) |
| Other receipts, net | 241,208 | 166,366 | 492,656 | 307,911 | 764,422 | 139,182 | 255,886 | 166,271 | 371,676 | 147,966 | 729,525 | 375,229 | 2,216,319 | 6,374,617 |
| Net cash used in operating activities | (19,711,034) | (31,377,429) | (48,351,114) | (38,311,962) | (40,025,689) | (18,846,037) | (47,375,036) | (15,085,422) | (36,661,729) | (14,830,777) | (29,160,866) | (29,334,762) | (27,054,685) | (396,126,542) |
| **Cash flows from investing activities** | | | | | | | | | | | | | | |
| Interest income | 21,095 | 4,382 | 41,209 | 218,611 | 182,460 | 68,158 | 168,006 | 27,087 | 132,672 | 107,633 | 182,665 | 33,852 | 238,132 | 1,425,962 |
| Net cash provided by investing activities | 21,095 | 4,382 | 41,209 | 218,611 | 182,460 | 68,158 | 168,006 | 27,087 | 132,672 | 107,633 | 182,665 | 33,852 | 238,132 | 1,425,962 |
| **Cash flows from capital and related financing activities** | | | | | | | | | | | | | | |
| State appropriations | 1,110,054 | 34,503 | 288,496 | 382,413 | 52,806 | 74,830 | 102,048 | 43,259 | 692,028 | 27,272 | 1,057,191 | - | 10,948,536 | 14,813,436 |
| Payments by Department of Construction Services (DCS) | (24,225) | - | - | (2,019,861) | (919) | (1,438) | (943,748) | (362,189) | (708,036) | (43,613) | (132,064) | - | - | (4,236,093) |
| Purchase of capital assets | (886,200) | (99,833) | (374,305) | (529,883) | (351,284) | (74,362) | (193,240) | (44,136) | (131,319) | (198,674) | (73,279) | (503,484) | (10,338,492) | (13,798,491) |
| Interagency transfers | - | (5,000) | - | (230,344) | (59,240) | - | (16,500) | - | 174,144 | 149,245 | (57,673) | - | 45,368 | - |
| Net cash (used in) provided by capital and related financing activities | 199,629 | (70,330) | (85,809) | (2,397,675) | (358,637) | (970) | (1,051,440) | (363,066) | 26,817 | (65,770) | 794,175 | (503,484) | 655,412 | (3,221,148) |
| **Cash flows from noncapital financing activities** | | | | | | | | | | | | | | |
| State appropriations | 15,227,553 | 22,056,989 | 34,899,308 | 25,729,932 | 32,216,732 | 14,412,573 | 38,011,254 | 11,863,172 | 25,850,223 | 11,126,430 | 21,556,530 | 20,724,756 | 27,009,937 | 300,685,389 |
| Pell grants | 2,810,272 | 6,644,377 | 11,042,633 | 9,450,258 | 8,288,726 | 3,362,619 | 9,785,237 | 1,684,741 | 7,777,410 | 2,329,110 | 5,930,391 | 6,111,858 | - | 75,217,632 |
| Private gifts | 262,214 | 37,600 | - | - | - | 72,953 | 43,904 | 118,586 | 956,977 | 201,250 | 31,739 | 1,678 | - | 1,726,901 |
| Federal Family Education Loan Program (FFELP) | 1,759,640 | 921,117 | 705,810 | 488,744 | 649,770 | 394,809 | 930,335 | 371,966 | 667,858 | - | 1,129,652 | 1,887,072 | - | 9,906,773 |
| Interagency transfers | 680,488 | (687,333) | (282,186) | (440,100) | (2,031,156) | 694,693 | (2,636,069) | 686,961 | 683,411 | 1,235,795 | (656,784) | 21,915 | 2,730,365 | - |
| Net cash provided by noncapital financing activities | 20,740,167 | 28,972,750 | 46,365,565 | 35,228,834 | 39,124,072 | 18,937,647 | 46,134,661 | 14,725,426 | 35,935,879 | 14,892,585 | 27,991,528 | 28,747,279 | 29,740,302 | 387,536,695 |
| Net increase (decrease) in cash and cash equivalents | 1,249,857 | (2,470,627) | (2,030,149) | (5,262,192) | (1,077,794) | 158,798 | (2,123,809) | (695,975) | (566,361) | 103,671 | (192,498) | (1,057,115) | 3,579,161 | (10,385,033) |
| Cash and cash equivalents at beginning of year | 4,362,275 | 6,216,956 | 4,134,423 | 23,260,862 | 11,980,923 | 4,972,441 | 14,655,610 | 4,227,133 | 15,328,024 | 9,485,234 | 12,476,153 | 5,581,783 | 30,715,585 | 147,397,402 |
| Cash and cash equivalents at end of year | $ 5,612,132 | $ 3,746,329 | $ 2,104,274 | $ 17,998,670 | $ 10,903,129 | $ 5,131,239 | $ 12,531,801 | $ 3,531,158 | $ 14,761,663 | $ 9,588,905 | $ 12,283,655 | $ 4,524,668 | $ 34,294,746 | $ 137,012,369 |

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# Connecticut Community Colleges

## Combining Statement of Net Position by Fund Group

As of June 30, 2019

| | Primary Institution | | | | | |
|---|---|---|---|---|---|---|
| | Operating and General Funds | Endowment, Loan, and Agency Funds | Agency Administered Bond Funds | DCS Administered Bond Funds | Invested in Capital Assets | Total |
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | $ 93,378,235 | $ 1,912,043 | $ 19,968,920 | $ 21,753,171 | $ - | $ 137,012,369 |
| Accounts receviable, due from the State | 30,141,227 | - | - | - | - | 30,141,227 |
| Accounts receivable other, net | 16,968,655 | 7,351 | 2,151,685 | - | - | 19,127,691 |
| Prepaid expenses and other current assets | 102,044 | - | 228,091 | - | - | 330,135 |
| Total current assets | 140,590,161 | 1,919,394 | 22,348,696 | 21,753,171 | - | 186,611,422 |
| Non-current assets | | | | | | |
| Investment in plant | - | - | - | - | 1,115,658,324 | 1,115,658,324 |
| Accumulated depreciation | - | - | - | - | (399,026,754) | (399,026,754) |
| Investment in plant, net of accumulated depreciation | - | - | - | - | 716,631,570 | 716,631,570 |
| Student loans, net | - | 234,279 | - | - | - | 234,279 |
| Total non-current assets | - | 234,279 | - | - | 716,631,570 | 716,865,849 |
| Total assets | $ 140,590,161 | $ 2,153,673 | $ 22,348,696 | $ 21,753,171 | $ 716,631,570 | $ 903,477,271 |
| Deferred outflows of resources | | | | | | |
| Deferred pension | $ 223,612,458 | $ - | $ - | $ - | $ - | $ 223,612,458 |
| Deferred other post employment benefits | 50,637,609 | - | - | - | - | 50,637,609 |
| Total deferred outflows of resources | $ 274,250,067 | $ - | $ - | $ - | $ - | $ 274,250,067 |
| Liabilities | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable | $ 2,652,211 | $ - | $ 3,439,778 | $ - | $ - | $ 6,091,989 |
| Accrued expenses - salary and fringe benefits | 40,600,862 | - | - | - | - | 40,600,862 |
| Accrued compensated absences - current portion | 3,145,344 | - | - | - | - | 3,145,344 |
| Unearned tuition and grant revenue | 14,996,470 | - | - | - | - | 14,996,470 |
| Retainage | - | - | - | 3,363,748 | - | 3,363,748 |
| Agency and loan fund liabilities | - | 2,059,983 | - | - | - | 2,059,983 |
| Other liabilities | 799,862 | - | - | - | - | 799,862 |
| Total current liabilities | 62,194,749 | 2,059,983 | 3,439,778 | 3,363,748 | - | 71,058,258 |
| Non-current liabilities | | | | | | |
| Pension liability, net | 795,762,269 | - | - | - | - | 795,762,269 |
| Other post employment benefits liability net | 829,795,327 | - | - | - | - | 829,795,327 |
| Accrued compensated absences - long term portion | 35,554,815 | - | - | - | - | 35,554,815 |
| Federal loan program advances | - | 41,944 | | | | 41,944 |
| Total non-current liabilities | 1,661,112,411 | 41,944 | - | - | - | 1,661,154,355 |
| Total liabilities | $ 1,723,307,160 | $ 2,101,927 | $ 3,439,778 | $ 3,363,748 | $ - | $ 1,732,212,613 |
| Deferred inflows of resources | | | | | | |
| Deferred pension | $ 25,095,368 | $ - | $ - | $ - | $ - | $ 25,095,368 |
| Deferred other post employment benefits | 77,264,341 | - | - | - | - | 77,264,341 |
| Total deferred inflows of resources | $ 102,359,709 | $ - | $ - | $ - | $ - | $ 102,359,709 |
| Net position | | | | | | |
| Invested in capital assets, net | $ - | $ - | $ - | $ - | $ 716,631,570 | $ 716,631,570 |
| Restricted | | | | | | |
| Nonexpendable | - | 20,000 | - | - | - | 20,000 |
| Expendable | 2,879,162 | 31,745 | 18,908,918 | 18,389,423 | - | 40,209,248 |
| Unrestricted | (1,413,705,802) | - | - | - | - | (1,413,705,802) |
| Total net position | $ (1,410,826,641) | $ 51,745 | $ 18,908,918 | $ 18,389,423 | $ 716,631,570 | $ (656,844,985) |

## Connecticut Community Colleges

Combining Statement of Revenues, Expenses and Changes in Net Position by Fund Group

Year Ended June 30, 2019

| | Primary Institution | | | | | |
|---|---|---|---|---|---|---|
| | Operating and General Funds | Endowment, Loan, and Agency Funds | Agency Administered Bond Funds | DCS Administered Bond Funds | Invested in Capital Assets | Total |
| Operating revenues | | | | | | |
| Student tuition and fees | $ 183,201,246 | $ - | $ - | $ - | $ - | $ 183,201,246 |
| Less: Scholarship discounts and allowances | (84,947,563) | - | - | - | - | (84,947,563) |
| Net tuition and fees | 98,253,683 | - | - | - | - | 98,253,683 |
| Federal grants and contracts | 13,970,305 | - | - | - | - | 13,970,305 |
| State and local grants and contracts | 11,854,182 | - | - | - | - | 11,854,182 |
| Nongovernment grants and contracts | 5,789,537 | - | - | - | 30,916 | 5,820,452 |
| Auxiliary revenues | 564,095 | - | - | - | - | 564,095 |
| Other operating revenues | 3,480,867 | - | - | - | 19,995 | 3,500,862 |
| Total operating revenues | 133,912,669 | - | - | - | 50,911 | 133,963,580 |
| Operating expenses | | | | | | |
| Salaries and wages | 243,996,943 | - | - | - | - | 243,996,943 |
| Fringe benefits | 209,229,334 | - | - | - | - | 209,229,334 |
| Professional services and fees | 7,823,001 | 255 | 935,916 | 141,995 | (72,131) | 8,829,037 |
| Educational services and support | 8,219,220 | - | 1,264,349 | - | - | 9,483,569 |
| Travel expenses | 2,575,082 | - | - | - | - | 2,575,082 |
| Operation of facilities | 26,807,322 | - | 2,980,462 | - | - | 29,787,785 |
| Other operating supplies and expenses | 11,306,040 | - | 7,809,839 | - | - | 19,115,879 |
| Scholarship aid, net | 29,751,640 | - | - | - | - | 29,751,640 |
| Depreciation expense | - | - | - | - | 30,521,990 | 30,521,990 |
| Total operating expenses | 539,708,582 | 255 | 12,990,567 | 141,995 | 30,449,858 | 583,291,258 |
| Operating loss | (405,795,913) | (255) | (12,990,567) | (141,995) | (30,398,948) | (449,327,678) |
| Nonoperating revenues | | | | | | |
| State appropriation - general fund | 283,350,238 | - | - | - | - | 283,350,238 |
| State appropriation - bond fund | - | - | 26,684,634 | - | - | 26,684,634 |
| Pell grant revenue | 75,144,201 | - | - | - | - | 75,144,201 |
| Investment income | 1,939,620 | - | - | - | - | 1,939,620 |
| Total nonoperating revenues | 360,434,059 | - | 26,684,634 | - | - | 387,118,693 |
| | | | | | | - |
| Loss before other changes in net position | (45,361,854) | (255) | 13,694,067 | (141,995) | (30,398,948) | (62,208,985) |
| | | | | | | - |
| Other changes in net position | | | | | | - |
| Capital and other additions (deductions) | (1,445,274) | - | (12,483,150) | (3,918,094) | 17,846,518 | - |
| Interagency transfers | 188,488 | - | - | (188,488) | - | - |
| Total other changes in net position | (1,256,786) | - | (12,483,150) | (4,106,582) | 17,846,518 | - |
| Change in net position | (46,618,640) | (255) | 1,210,918 | (4,248,577) | (12,552,430) | (62,208,985) |
| Net position, beginning of year | (1,364,208,000) | 52,000 | 17,698,000 | 22,638,000 | 729,184,000 | (594,636,000) |
| Net position, end of year | $ (1,410,826,640) | $ 51,745 | $ 18,908,918 | $ 18,389,423 | $ 716,631,570 | $ (656,844,985) |

## 1. Basis of Presentation of Supplemental Information

The supplementary schedules are presented to provide information from the stand-alone books and records of the colleges and system office. The supplementary schedules exclude certain eliminating entries necessary to prepare the consolidated financial statements of CCC. The supplementary schedules also do not include the impact of the adoption of GASB 68, *Pensions*, or GASB 75, O*ther Post-employment Benefits*, on the individual colleges as reported in the financial statements of CCC because the liability has not been allocated to the colleges but rather is reflected only at the CCC system level in the basic financial statements.